SMALL BUSINESS ADMINISTRATION DISASTER ASSISTANCE PROGRAMS

HEARINGS

BEFORE THE

COMMITTEE ON SMALL BUSINESS
HOUSE OF REPRESENTATIVES

NINETY-SEVENTH CONGRESS

SECOND SESSION

SAN FRANCISCO, CALIF., APRIL 8 (A.M.); AND SANTA CRUZ,
CALIF., APRIL 8 (P.M.), 1982

Printed for the use of the Committee on Small Business

U.S. GOVERNMENT PRINTING OFFICE
96-737 O WASHINGTON: 1983

H 721-8

COMMITTEE ON SMALL BUSINESS

PARREN J. MITCHELL, Maryland, *Chairman*

NEAL SMITH, Iowa
JOSEPH P. ADDABBO, New York
HENRY B. GONZALEZ, Texas
JOHN J. LaFALCE, New York
BERKLEY BEDELL, Iowa
HENRY J. NOWAK, New York
THOMAS A. LUKEN, Ohio
ANDY IRELAND, Florida
IKE SKELTON, Missouri
BILLY LEE EVANS, Georgia
CHARLES W. STENHOLM, Texas
ROMANO L. MAZZOLI, Kentucky
NICHOLAS MAVROULES, Massachusetts
CHARLES HATCHER, Georgia
RON WYDEN, Oregon
DENNIS E. ECKART, Ohio
BYRON L. DORGAN, North Dakota
GUS SAVAGE, Illinois
BUDDY ROEMER, Louisiana
JOHN G. FARY, Illinois
——— ———

JOSEPH M. McDADE, Pennsylvania
SILVIO O. CONTE, Massachusetts
J. WILLIAM STANTON, Ohio
WILLIAM S. BROOMFIELD, Michigan
DAN MARRIOTT, Utah
LYLE WILLIAMS, Ohio
OLYMPIA J. SNOWE, Maine
DANIEL B. CRANE, Illinois
JOHN HILER, Indiana
DAVID MICHAEL STATON, West Virginia
VIN WEBER, Minnesota
HAL DAUB, Nebraska
CHRISTOPHER H. SMITH, New Jersey
ED WEBER, Ohio
DAVID DREIER, California
GUY V. MOLINARI, New York
MARK D. SILJANDER, Michigan

MAJOR L. CLARK III, *Staff Director*
THOMAS G. POWERS, *General Counsel*
LOIS LIBERTY, *Publications Specialist*
RAYMOND S. WITTIG, *Minority Counsel*

CONTENTS

Hearings held at: Page

San Francisco, Calif., 8:30 a.m., April 8, 1982 1
Santa Cruz, Calif., 2 p.m., April 8, 1982 45
Mitchell, Hon. Parren J., chairman, Committee on Small Business: Opening statements 1, 45

Panels consisting of:

Brucia, Larry; Tony Mavrantonis; Wulfrin Oberlin; Steve Snyder; and Mozart Kaufman 24
Carlino, Pete; Elaine Golling; and Carolyn de Vries 94
Gaynor, Robert; John H. Robbins; and Howard Foote 36
Hsu, Jeanne; Agnes Holster, accompanied by John R. Conwell; Malcolm Brodzinsky; and George Kohler 14
Levy, Robley; Joe Cucchiara; and Dan Forbus 50
Pawlak, Lorenz W.; Geraldine Clements; and Kate Kline 89
Pizzuti, John; Clarissa Blount; Ron Heine; Clarence Smith; and Sheila DeLaney 65
Tunno, Dave; Tom Kelley; Patrick Trujillo; William Frye; and Charlene Morgan 80

Testimony of:

Blount, Clarissa, Santa Cruz, Calif 68
Boxer, Barbara, second district supervisor, Marin County, Calif 6
Brodzinsky, Malcolm, San Rafael, Calif 18
Brucia, Larry, Marin Food Co., San Rafael, Calif 24
Burton, Hon. John L., a Representative in Congress from the State of California 3
Carlino, Pete, Felton Deli & Cheese Farm, Felton, Calif 94
Clements, Geraldine, Boulder Creek, Calif 91
Cucchiara, Joe, fifth district supervisor, Santa Cruz County, Calif 55
DeLaney, Sheila, Boulder Creek, Calif 79
de Vries, Carolyn, owner, Old Mill Moble Home Park, Soquel, Calif 98
Foote, Howard, Inverness, Calif 41
Forbus, Dan, first district supervisor, Santa Cruz County, Calif 62
Frye, William E., Maddock's Bakery, Soquel, Calif 86
Gaynor, Robert, Point Reyes Station, Calif 36
Giacomini, Gary, fourth district supervisor, Marin County, Calif 8
Golling, Elaine, Earthenware Fabrics, Felton, Calif 97
Heine, Ron, Santa Cruz, Calif 78
Holster, Agnes, San Rafael, Calif.; accompanied by John R. Conwell 15
Hsu, Jeanne, Mill Valley, Calif 14
Kaufman, Mozart, Kaufman's Specialty Shop, San Anselmo, Calif 33
Kelley, Tom, Ye Olde Liquor Shoppe, Soquel, Calif 83
Kline, Kate, Boulder Creek, Calif 92
Kohler, George, Inverness, Calif 19
Levy, Robley, chairperson, Board of Supervisors, Santa Cruz County, Calif 50
Mavrantonis, Tony, Jack's Drug Store and Medical Supplies, San Anselmo, Calif 27
Morgan, Charlene, Morgan's, Soquel, Calif 87
Oberlin, Wulfrin, Red Hill Travel, San Anselmo, Calif 29
Panetta, Hon. Leon E., a Representative in Congress from the State of California 47
Pawlak, Lorenz W., Ben Lomond, Calif 89
Pizzuti, John, Ben Lomond, Calif., president, Love Creek Homeowners Association 65
Robbins, John H., Point Reyes Station, Calif 39
Smith, Clarence, Novato, Calif 79

Testimony of—Continued | Page
- Snyder, Steve, Snyder Chevrolet, San Rafael, Calif 30
- Trujillo, Patrick, Soquel Delicatessen-Cafe, Soquel, Calif 84
- Tunno, Dave, president, Chamber of Commerce, Soquel, Calif 80

Additional material supplied for the hearing record:
- Cucchiara, Joe, fifth district supervisor, Santa Cruz County, Calif.: Prepared statement 59
- Forbus, Dan, first district supervisor, Santa Cruz County, Calif.: Prepared statement 65
- Levy, Robley, chairperson, Board of Supervisors, Santa Cruz County, Calif.: Prepared statement 53
- Panetta, Hon. Leon E., a Representative in Congress from the State of California: Prepared statement 49

APPENDIX

Letters from disaster victims 103

SMALL BUSINESS ADMINISTRATION DISASTER ASSISTANCE PROGRAMS

THURSDAY, APRIL 8, 1982

House of Representatives,
Committee on Small Business,
San Francisco, Calif.

The committee met, pursuant to notice, at 8:30 a.m., at the Federal Building, 19th floor, San Francisco, Calif., Hon. Parren J. Mitchell (chairman of the committee) presiding.

OPENING STATEMENT OF CHAIRMAN MITCHELL

Mr. Mitchell. Good morning. This hearing will come to order.

This morning the Committee on Small Business begins a series of hearings examining the Small Business Administration's disaster assistance programs and the effects of recent changes to these programs. Since its inception in 1953, SBA has been the principal Federal agency providing long-term financial assistance to victims of natural and economic disasters. During this time, SBA has approved more than 880,000 loans for more than $10.5 billion to homeowners, businesses, nonprofit institutions and others who have suffered the unforeseen and devastating effects of flooding, mudslides, earthquakes, tornadoes, hurricanes, blizzards, fires, droughts, volcanoes, and other disasters.

No one expects a disaster—until it happens. Disasters can and do occur without warning almost anywhere. In fact, during the last 5 years, no State in the Union has been spared at least one disaster. California in particular has had more than its share of disaster experience over the years. Since 1971, more than 130,000 loans for over $985 million have been approved by SBA to help California disaster victims in their long-term recovery. The loans approved in the wake of the recent mudslides and flooding in the Bay area and Santa Cruz County will push this total well above $1 billion in loans. SBA has received 4,868 loan applications as a result of this disaster, and so far more than 700 have been approved for over $10.2 million.

The intent of Congress in establishing and maintaining SBA's disaster loan programs is twofold: First, to assist individuals and businesses by financing the repair or replacement of disaster-damaged property or the working capital needs of businesses suffering severe economic injury; and second, to assist the community as a whole by providing for the restoration of jobs, services, business revenues and taxes. Also, the new dollars which SBA disaster loans inject into the local economies of disaster stricken communities are spent many times over, thus further contributing to the economic health of the community and long-term recovery.

The committee which I have the honor to chair is examining whether the recent changes made in SBA's disaster loan programs may have compromised their effectiveness and the original congressional intent of providing a compassionate helping hand to disaster victims in their time of need. These changes began in March 1981, when the administration, without prior notice or consultation with the committee, suspended all disaster assistance to businesses with alternative sources of financing, even though that financing was then in excess of 22 percent; limited disaster assistance to those businesses still eligible to 60 percent of their losses; and increased the amount of damage necessary to trigger Federal disaster assistance. The first two of these actions have since been overturned by legislation.

At the same time, the administration requested legislation which would have eliminated all assistance to those disaster victims who had personal resources or alternative sources of financing and which would have increased the interest rate to both homeowners and businesses without alternative sources of credit to a formula rate which for this disaster would be approximately 16 percent. Although the House rejected this proposal, the Senate approved the administration's request. The current terms of SBA's disaster loan program are a result of the compromise between the House and Senate on this difference.

The terrible mudslides and flooding in the Bay area and Santa Cruz County represent the first major disaster in which these new terms have been in effect. Prior to the enactment of the compromise legislation on August 13, 1981, the interest rate on all loans to repair or replace primary homes or personal property was 3 percent. The interest rate for businesses without alternative financing was 5 percent; other businesses paid a formula rate, now approximately 16 percent, and were not limited to the 3-year maximum term now in effect for businesses with alternative sources of credit. Also, prior to last August, disaster business loans were not limited to 85 percent of losses, but were for 100 percent of uninsured losses.

It is obvious that I am not in agreement with some of these changes that have been proposed and implemented by the administration and the Congress.

So today we shall hear from victims of the recent mudslides and flooding in Marin County about their experience in the disaster and with Federal assistance efforts since then. Two of our panels are comprised of homeowners, and the other panel of businessmen. Also, we are pleased to have with us this morning Representative John L. Burton, who serves so ably and effectively in the Congress, and Marin County Supervisors Barbara Boxer and Gary Giacomini.

Just before proceeding, I would like to identify the persons up here with me. To my immediate right is Mr. Tom Powers, the general counsel for the Small Business Committee. Mr. Joseph Sobota, disaster specialist for the Small Business Committee, and Mr. Steve Blackistone, assistant to the chief minority counsel.

I don't know how you would like to proceed, but I like very, very informal hearings. So instead of asking that the Honorable John L.

Burton now present his testimony, is it OK if I say, John, we will hear from you now.

TESTIMONY OF HON. JOHN L. BURTON, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA

Mr. BURTON. Thank you very much for coming out, Mr. Chairman. For those from the Bay area here, I would just like to say you are one of the fine Members of the House, and one of the most decent, compassionate people I have ever had the privilege of knowing.

I think your opening statement, Mr. Chairman, laid out the problems.

The present restrictions on the disaster loan programs are as great a disaster as the mudslides and flooding themselves. We are charging people interest rates as if we were charging people to open a business and make profit. But what we are trying to do is to allow them to recover from an act of God, a disaster.

I have legislation, cosponsored by Mr. Panetta, from Santa Cruz, which would return the interest rates for disaster loans to 3 percent and increase the permissible amount to be borrowed to $300,000. The present limit of $55,000, in our communities, is like giving people nothing. I think both Supervisor Giacomini and Supervisor Boxer, when they testify, as well as the home owners and business people, will indicate the problems that they have run into; the terms are unreasonable if they are able to qualify and get immediate access to the loans; and second, it is not all that easy to qualify.

And so again, you can hear from them.

I would just like to say I went out to Inverness; that was probably the hardest hit area, at least in the north bay, from the floods. It really was a very tragic thing, just to see people's homes wiped out. They say big things happen when you are born, you are married, have a child, and when you buy a home. Well, one of the big four got knocked out. As we looked to the Federal Government for relief, the relief was really not there for these people.

I think you will find support for this legislation. As disasters keep mounting throughout the country, I think there will be very strong support, including from some of our more conservative colleagues from the other side of the aisle, from the Plains States and the Midwest, who have shown an interest in this.

Lastly, Mr. Chairman, there is a question about mudslides. Mudslides seem to be a judgmental call on the part of the SBA, or the person who is making the determination as to whether it is really related to a flood or whether it is not. And I think that there should be a conclusive presumption that mud is caused by water, water as a result of flooding. When that mud comes into your house and knocks out the place where you live, that you ought to qualify an individual, just as if it were a river.

We fought that fight with the bureaucracy about four or five times—as a matter of fact, when I was first elected, back in 1974, we finally got them to say that houses covered under the Federal flood insurance program, if they were victimized by mudslides, that that was water. But I think this is an area where you might be able to direct the administration, if not with legislation, possibly with report language if we pass any bills this year; or get Neal Smith to do it, or whoever has got the appropriations, and put report language in.

But that would be very important, so that they are not making a judgmental call on mud, or whatever.

Again, I thank you very much for coming, Mr. Chairman. I know it is proof of your dedication that you are 3,000 miles from home when you could be enjoying the Baltimore Orioles' opening home stand of the baseball season. So I love you for coming.

Mr. **Mitchell**. Thank you for your testimony.

Two quick questions. I want to indicate it is not an enormous burden for me. The temperature was 22 on the east coast last week. I called my office in Washington this morning. The prediction for the Washington-Baltimore area is sleet and snow tonight. So it really isn't that onerous a burden.

I think you are quite right, that whenever we move a bill, and I hope we will move it in this session, there ought to be language in the bill with reference to the mudslide definition, so that it be covered under the disaster program.

Mr. **Burton**. What I was suggesting, Mr. Chairman—I know how tough it is going to be to move anything except a nuclear carrier during this session; but maybe even in a continuing resolution, whatever is moving, which will become law—have some language in the report. I don't know who has the Appropriations Subcommittee—if it is Neal or who.

Mr. **Mitchell**. That would be Neal Smith.

Mr. **Burton**. I think there is a way we could put a few things in there. Because I know that Iowa suffered some tremendous disasters from the blizzards.

Mr. **Mitchell**. I am with you. I think that should and can be done. As you know, I will have a bill in also. You indicate $300,000. Mine is now $100,000, which is perhaps not enough. It is going to be kind of tough.

You know that the Congress we have to work with every day, it is becoming increasingly parsimonious with people in need.

So I hope that we can perhaps work out some compromise between your figure and mine.

Mr. **Burton**. It is difficult for people to understand that $100,000 cannot buy a house in this area. In one section of San Francisco they used to give away lots in church bingo games, and now lots 20 by 100 feet go for $25,000. So if the $300,000 seems to be a very high figure, maybe we could drop it down some. The current limit is $55,000; $100,000 would not be enough out here. The outrageous cost of homes in this area, it is unbelievable.

When we were considering one of the housing bills, I supported having people qualify through a Federal program for houses up to $55,000, instead of $30,000. Lud Ashley thought I was a traitor to my class. I said working people cannot get a house for $55,000 out in this area.

Mr. **Mitchell**. We know it is an unusual situation here in terms of housing costs.

Mr. **Burton**. I think you will also find that true down in Santa Cruz. In this session of Congress, if we could define a mudslide, it would be a winner. I certainly would just say if $300,000 looks tough, I would have to say I think $100,000 really is not terribly adequate. It is better than $55,000.

I will hear from the people telling you the replacement costs out here—they make you blink.

Mr. MITCHELL. OK. One last thing from me.

Some time during this Easter district work period, if you just give me a little fact sheet and complaints you have had from your constituents with reference to the performance of the Federal agencies.

Mr. BURTON. Well, the counties and States have been pretty good. But with the Federal Government, it is the same thing, Mr. Chairman. The people who are generally doing the work for the Federal Government, the civil servants doing it—what they are doing is safe money here, safe money there. I think the two supervisors and also the disaster victims will tell you their experiences. But I have heard—and I think Supervisor Giacomini, in whose district a lot of the worst damage was done, can also tell you—a lot of people didn't even go in, because they found out when it was all over, "forget it."

So I think you will also get that from them, Mr. Chairman.

Again, I appreciate very much your coming here. We will keep good records and send them back to Lyle Williams in Youngstown.

Mr. MITCHELL. We would be very pleased to have you join us.

Mr. BURTON. I would love to, if I can get finished with the business down in my office. This is a district work period. I have work to do in the district.

Mr. MITCHELL. Thank you very much.

Mr. BURTON. Mr. Chairman—on my right is Supervisor Barbara Boxer, from Marin County. She represents the area where we had the problems I told you of some years ago—the mudslides. On my left is Supervisor Giacomini, who represents basically the west Marin area and the city of Inverness which was the hardest hit by the floods. Both of these people just put an awful lot of time and energy into being out there on the front lines, as it were.

I am sure their testimony can give you information about the performance of and problems with the programs, and also I think Gary is knowledgable about the people whose homes were wiped out, and could give you information about the performance.

Mr. MITCHELL. Thank you.

The committee certainly thanks both of you for taking time from what must be an enormously busy schedule. We appreciate it a great deal.

Could we hear from you first, Ms. Boxer?

The procedure we follow is that we will submit your testimony in its entirety for the record. You have a choice of either reading your entire testimony or just making the salient points from it. It is entirely up to you. But without objection, your entire statement is submitted.

TESTIMONY OF BARBARA BOXER, SECOND DISTRICT SUPERVISOR, MARIN COUNTY, CALIF.

Ms. **Boxer**. My testimony is brief. I would like to read it because it has some facts and figures I think the committee would appreciate knowing. I do want to thank you very much for holding these hearings. This is a very critical matter to us. Supervisor Giacomini and myself conferred. We thought I would give you a basic overview and he can really give you the human side of what is happening.

Thank you for this opportunity to discuss the Small Business Administration's disaster loan program in Marin County. As grateful as we are for all the Federal aid programs following the flooding of January 4 and 5, 1982, there is little question that the recent restrictions on the SBA disaster loan program have done little to ease the financial hardships for the disaster's immediate victims and our entire community. These restrictions delay, reduce, or even stop local economic recovery which would restore the tax base and minimize the need for expensive Government aid to the economically displaced.

The following data is based on claims for property tax relief filed by disaster victims with the Marin County Assessor.

[The data referred to follows:]

CLAIMS FOR PROPERTY TAX RELIEF

	Residential	Commercial	Total
Damage under $5,000:			
Number	3,000	400	3,400
Dollars	9,000,000	1,200,000	10,200,000
Damage over $5,000 but under $50,000:			
Number	1,600	200	1,800
Dollars	24,000,000	6,000,000	30,000,000
Damage over $50,000:			
Number	150	50	200
Dollars	15,000,000	10,000,000	25,000,000
Total dollars	48,000,000	17,200,000	65,200,000

Ms. **Boxer**. You can see here, we have tried to categorize the various types of damage that were done in three categories: Under $5,000; over $5,000 but under $50,000; and damage over $50,000. And basically, we have 5,400 potential eligibles.

SBA estimates that it has received loan applications from only 1,300 of these 5,400 potential eligibles. Many were no doubt dissuaded by the publicity given to the low maximum loan amounts, high interest rates, and redtape described below. Perhaps the single most arbitrary and harmful restriction of the SBA program is the low ceiling on loan amounts. With today's high construction costs and the steep terrain of Marin's hillside homes, typical restoration expenses can easily exceed the $55,000 residential loan maximum. It is hard to explain why the SBA will lend only that amount even if a victim can afford the higher cost to restore his or her home to a habitable predisaster condition. The commercial loan limit of $500,000 is more reasonable, but the maximum repayment period of 3 years is simply not feasible for many business victims, especially when the economy is in a recession. We recommend that the $300,000 loan limit for residences in H.R. 5408 be adopted, but we would also urge a 10-year repayment period for business loans.

The high SBA interest rates add to the chilling effect of the loan limits. The traditional feature of a Government loan, especially for disaster relief, has been the low interest rate. This has been a conscious public subsidy of disaster victims in recognition of the value, both economically and socially, of restoring communities and families stricken by acts of God. Granted that an 8-percent loan is better than one at much higher market rates, but even this rate results in a monthly payment of $365 for a $50,000 residential loan over 30 years. A $500,000 commercial loan for 3 years costs $15,650 per month. Few people could afford such additional payments, especially in our current economic slump. We urge a return to the SBA's very low interest policy, such as embodied in H.R. 5408 for residences; a reduction to 5 percent would be appropriate for businesses.

The last major category of frustration about the SBA loan program is the incredible paperwork and accompanying delay before the disaster victim gets the cash he needs. We understand that the typical processing time is 60 days after application. This is unconscionable, both in comparison to typical loan processing at banks, and because of the great human tragedy of unnecessary delay for displaced homeowners and apartment dwellers. And there can be nothing more horrible happen to persons as to lose the roof over their heads.

These inadequacies are all the more unsatisfactory because they undermine the Government's financial self-interest, and this is a point we really want to drive home to you. Victims who cannot get sufficient loans at reasonable terms soon enough before they exhaust personal resources are likely to default on their obligations or even seek bankruptcy. Such defaults spread the economic disaster throughout the local community, delaying restoration of economic prosperity and therefore the tax base. Simultaneously, Government costs increase to continue emergency temporary housing, assist those unemployed by commercial victims of the disaster, and to prosecute an increase in property crime associated with any increase in unemployment. Perhaps most importantly, the public acquires a justified sense of betrayal about the supposed Federal disaster aid program.

On behalf of all the citizens of Marin County, I urge your committee to do all you can to restructure the SBA loan program to more realistically meet the needs of disaster victims so that they may quickly resume their normal lives and their full productivity in our economy. H.R. 5408 goes a long way in that direction.

I thank you very much for this opportunity.

Mr. MITCHELL. And we thank you.

I think we would like to hear from you next, Mr. Giacomini, and then we will put questions to the both of you as a panel.

TESTIMONY OF GARY GIACOMINI, FOURTH DISTRICT SUPERVISOR, MARIN COUNTY, CALIF.

Mr. GIACOMINI. Mr. Chairman, again I would like to personally thank you so much for being here, coming all this way to hear the concerns that victims of the recent disaster have experienced.

I would like to preface my testimony by indicating that I am a Republican.

Mr. MITCHELL. May I interrupt you just a moment—not because you are a Republican, but merely to ask—do you have a copy of your written testimony?

Mr. GIACOMINI. No, I do not.

I start with the statement I am a Republican because I hope maybe some people will listen a little better to what I have to say. In the context of the implementation of the supposed disaster relief, I am ashamed to admit I am a Republican. The net effect in Marin County of the presence of the Federal disaster programs has been to perform a fraud on the people. Thousands and thousands of telegrams and notices were sent to my people. Let me put this in context.

In my district, I have probably 130 to 140 destroyed homes. For those of you who have not experienced it—which I have before—I used to think personally that the worst thing that could happen to someone, other than death, would be the destruction of their home by fire. Believe me, this is more horrible because: One, the destruction lingers; it doesn't happen in the instant that fire takes. Many, many of my people each day or each weekend that it rains tremble because the potential for that house to go is very, very present.

Second, none of it is covered by insurance, which is unlike the typical circumstances of fire.

Next, I have witnessed circumstances that if you do not see, you would not believe; and that is not only for the homes gone, but the very land upon which the home used to exist no longer exists or is in such a circumstance that it can never be rebuilt on.

Put yourself, if you will, in the circumstance of a person experiencing this phenomenon. You have nothing. The typical circumstance that I experienced or witnessed, with the loss of a home, was the home typically fell down on top of cars as it went down to another location, taking all the personal possessions as well as the home. The typical inhabitant of that home has a mortgage to pay. That mortgage might be $500 to $1,500 a month. That requirement doesn't cease because the house is not there.

Then 30,000 fliers from the Federal disaster relief program urging everyone to get into the programs because, "Thank the Lord the Feds are here and we have declared Marin County a disaster area." At least 8,000 families in Marin lined up at those different centers. The fascinating thing is only 6 percent of those 8,000 people ever bothered to fill out the forms.

Why is that? That is because when they got up close and looked at it, the relief, the disaster relief was itself a disaster. Believe me, under those circumstances I have tried to describe, a typical loss of a home, to find out to your horror that the maximum available is $55,000, as a practical matter, at 16 percent is a horrible, horrible thing to learn from your Government, which is pretending to offer disaster relief. If they granted you the relief, what they are doing is imposing a disaster on a disaster.

One other thing I know this committee should be aware of: Marin has experienced other disasters in the last decade. We have circumstances in Marin where neighbors side by side have suffered or enjoyed the potential of the respective disaster programs under different forms. We have circumstances where the same kind of damage happened. The people got relief at 1 percent, or at 2 percent. So that as these present applicants go forward and find to their shock and horror it is 16 percent, you also have a dramatic feeling of inequity and betrayal.

What a tragedy indeed it is to think that if the disaster of January 4 this year had occurred 6 months before, 1 year before, we wouldn't be here, we wouldn't be here urging a return, which John Burton's bill attempts to do, to sanity, because had the exact same circumstance happened to my people in Marin, they would have been adequately taken care of.

You indicate in your letter to us about things to cover: Do we think this program is an appropriate use of taxpayers' money. I can think of nothing that would be more appropriate. What are we talking about? What we are talking about is the potential for the people of America to borrow from its Government the tax moneys they have sent to this Government. This of course is not a welfare program. The program is to provide the potential for homeowners to be able to get back into the productive mainstream and occupy their homes. And hence what this should be is the potential for our people to get back to the business of life—to borrow their own money back from their Government.

But instead, what do they find? One, the limits are ludicrous. And second, the interest rate is so high. What is the Government doing, competing with private industry for the highest rates? This indeed is a sad moment, I think, in our history.

I am also very saddened that and this is certainly not this committee's problem—but my God Almighty, to think this administration—if you think it through, you could redirect one carrier in the defense budget and fulfill the rehabilitation of all the people in America that have suffered disasters this season.

In my view, what is attempted to be done is a fraudulent effort, an attempt to balance the Federal budget on the backs of victims of disaster. And I think this is a very sad day in the history of the United States, given the enormously productive and fruitful intent of Congress when they created this program, and up until last August, the effects that it had on the ground.

First, we urge you to go as far as you can with efforts like John Burton's bill. I well understand your alternative amount, $100,000 as compared to Mr. Burton's $300,000. As John indicated, $100,000 is twice as good as $55,000. In many circumstances, for a home in Marin, it would not be enough. So in that respect, please, please go as far as you can.

Second, and maybe more important, is the interest rate. Remember, the person is paying on another loan for a house that is not there any more at, if they are lucky, 8 or 9 percent if it is an old loan, or, if not, at 14 or 15. Now you have the new one. If I had to choose between low interest and the cap—my people, I know, would like both—but if it had to come to a choice, I think what we need most critically is to get the interest to the attainable.

And, of course, finally what is very clear to me, and what is going to be the hard road for Congress, is appropriations. What was explained to me in Washington when I went back and met with some of your SBA people, if you don't increase the appropriations and you only change the interest rates or whatever, if we are not careful, that could worsen the circumstances, because if the amount of funding stays the same, and you lower the interest, what would happen then is you lower the cap, and maybe people would get $2,000 at 3 percent.

So I think what is critical for us all to understand is that Congress is going to have to dramatically increase the appropriations, at least from my understanding of the awesome total amounts of disasters that have occurred in this country.

Again, our deepest gratitude for being here. Ms. Boxer and I will answer any questions you have.

Mr. MITCHELL. I thank you for a very moving and intelligent statement. I am very sympathetic. I represent the Seventh District of Maryland, which encompasses more than one-half of the city of Baltimore. When Hurricane David hit, it devastated a large portion of our area. Fortunately, at that time, we had realistically humane interest rates. But again we experienced the problem of SBA not moving quickly enough to take the applications and start to work.

At that time we had a hearing, and SBA indicated that in the face of disasters very often it will shift its personnel to take up the slack, to make sure these applications are acted on quickly. I think we need to check and see whether or not that was done. If they are not moving within 30 days, that is just a very, very bad situation.

Second, I would like to indicate that both Congressman Burton's bill and my bill would make it retroactive, so that we could cover the situation here.

Third, I would like to indicate that we—I and certain other members on the Democratic side—fought very, very hard against any changes in the disaster loan program. They were, in my opinion, just unconscionable. We have had heavy snows this winter, we have had mudslides. This is just the beginning of what unfortunately could be a series of disasters. And it is just unconscionable, it seems to me, to ask people to pay an enormous interest rate at a time when an act of God has treated their lives very badly.

We lost. The minority side and some of the more conservative members on the Democratic side of the committee voted for what I think was a very, very bad change in the law. And I pledge to you I will make every effort possible to remedy that situation. It is going to be very interesting for some of those persons who voted on the committee to change the law to its present form, when their areas get hit, and they are going to be hit.

There is going to be flooding. Some of them have already been hit because of the heavy snows. It is going to be very interesting to see their response now, when we come up with a better, more humane bill.

All that I can tell you is that we will immediately contact the Small Business Administration in an attempt to make sure they have shifted personnel. They are very flexible. They should be. We will move quickly to make sure that that has been done, or if it has not been done, to try to determine why it has not been done.

Apart from SBA, have you had any other difficulties with any other Federal agencies?

Mr. GIACOMINI. I do not want to take all day. I know you have got to go to Santa Cruz today.

Mr. MITCHELL. You have spoken about SBA. I am interested if you could comment on the other agencies for me.

Mr. GIACOMINI. Yes. On the public side, the public disaster, allegedly there is a program through which FEMA will provide 75 percent reimbursement for the replacement of damaged or destroyed public facilities as a result of a declared disaster. That is the second greatest fraud and hoax. The first is on the private victims. The second is on the public sector.

Our experience is running, we feel, really good, like a great victory, when we get 18 percent from the Government instead of the 75. Our public damage, by the way, Mr. Chairman, would probably be, when it is all through, around $100 million, counting all of the public entities. If we collectively get $18 million, I will buy all the staff of FEMA many, many drinks.

That means it is running to 18 percent instead of 75 percent for every $1 million we turn in for reimbursement. These are public roads, public facilities, public water systems, et cetera; we are averaging a commitment of 18 cents on the dollar. In many cases, it is 5 percent.

Mr. MITCHELL. 5 percent?

Mr. GIACOMINI. Yes—because of this phenomenon. You see, it says on the surface that FEMA will reimburse qualified public losses at 75 percent. Then they have very ingenious techniques, with pages and pages and pages, and I guess volumes of books, that allow them to reduce that. So when you get everything out—in other words, our losses are, let us say, $100 million. That is it. We are going to have to fix roads or not, fix water systems or not fix them.

As I say, we will be shocked if the net return in the end runs at 18 percent. To our sorrow, we have checked with our sister jurisdictions, across the country, different counties and cities, and in this respect the experience has been the same apparently for many years, and that is that the net return is markedly less than anything resembling 75 percent.

What is sad about that—in addition to the fact that therefore there are facilities that won't be repaired or fixed—is that it confuses members of our public who think that the Federal Government is going to come in and replace 75 percent of damaged public facilities. Hence, when we say no they are not, and we are going to have to take care of this with local taxes, all the tax issues will fail, because the expectation is that there is going to be a return of 75 percent from the Federal Government.

I know this is off the subject, but I would be glad to provide you with a detailed, in-depth summary of this phenomenon.

Mr. MITCHELL. I would really appreciate it.

Mr. GIACOMINI. I would be glad to.

Mr. MITCHELL. I am a firm believer in democracy. But there are times I would just like to say, when this sort of thing happens, "You ought to send Parren Mitchell in, fully empowered to coordinate all these efforts at the Federal level, making those final decisions. The rule of thumb ought to be if there is going to be a mistake made by the Federal Government, make it on behalf of those persons who are hurt. This is no time for nitpicking when people's lives have been devastated." But that is not the way it works.

Mr. GIACOMINI. Let me tell you one other thing, just to show the absolute insanity. This is kind of a mixed, public/private alleged program. FEMA has a program that if private access has been damaged or eliminated, they will participate to 75 percent, to reestablish that access even though it is a private road. I have many of these, but I think I will pick the prizes.

In one of my communities, Stinson Beach, there are two areas—one has a dozen homes, another has 20—that are reached by a bridge that goes across a river, two different bridges. In the flood of January 4, the bridges were destroyed, and they are gone. The Federal program is supposed to look at that and say, "This is bad, fire trucks cannot get there; people have to swing on ropes to get across the river." You think this would be one where they would help.

And it says they will provide the help at 75 percent when access to private homes has been destroyed. But instead of that, after many meetings by the way, and people going out and inspecting this, the Federal people found that there is a way around. You can go about a mile around, and go through a little town, and walk out on the beach, and walk down the beach and come around, and you can get to your house that way. Fire trucks can't, nor can people go in and out. Many senior citizens there cannot jump the river and walk up and down the beach. This is for the moment assuming low tide. At high tide, you cannot do it. The rule becomes: If you can get there at all, they won't participate.

I have other homes in southern Marin in my district where the roads are all gone, but there are foot paths, like deer trails, that can get you there. So there is no participation there either.

There are many little isolated islands of homes whose owners attempted to use a Federal program, which makes all the sense in the world, and found to their shock and horror that there is a way out of that, too, for the Government.

Mr. MITCHELL. That is just absolute madness.

Ms. BOXER. If I may just say this, I think the worst kind of thing we are experiencing is that there is this hope out there that was generated by the Federal Government, and we welcomed the program with open arms. And what is really happening is that through these subtle technicalities, it is not forthcoming. And what Supervisor Giacomini is saying is true. When we were honest enough to make some public comments, he and I, perhaps a little untempered at one point, the FEMA people just absolutely said that the supervisors were wrong and 75 percent was forthcoming. This is for the public problems.

But as Gary says, what they do is come and disallow everything. And then you wind up getting 10 percent; if you are lucky, maybe 20. So the problem is the false hope.

I just want to stress one last thing. Although Supervisor Giacomini had the lion's share of the residential problems, in my district we had the worst share of the commercial damage. In the town of San Anselmo, there is one business street, and this is a very healthy small business community—SBA small businesses. This is your classic small business community—individuals employing local folks, keeping the economy going.

There was a 5-foot river that came down the main street, because of the overflow of creeks, and their inability to handle the water. And I was there. On the bright side, the National Guard was fantastic. They worked along with the California Conservation Corps, and I must say the National Guard was just great.

Well, that was the State. But there was cooperation with the Federal Government—as a matter of fact, John Burton was instrumental in getting the CCC and the National Guard. So there was that cooperation.

But in terms of the followthrough, this is where we have the problems. President Reagan likes to talk about the trickle-down effect. When you have businesses that cannot recover, you are losing the jobs; and suddenly the economy, already bad, is getting worse.

So I guess we are really stressing to you the human side of these policies, which I know, Mr. Chairman, you totally share with us. But I cannot believe that the majority of Congress won't understand this human problem. And that is really why we are here, to help you make the case.

Mr. MITCHELL. And it has been very effective.

I just wish that more and more people in Washington would stop this foolishness of finding justifications not to do things. We just take the opposite position. They say you can get 75 percent, and then go through the books to find all the means by which that can be denied to you.

Well, I don't want to get on the soap box this morning. One last comment?

Mr. GIACOMINI. Supervisor Boxer mentioned a very important point. I think you can tell from our testimony what we hope will happen. If it doesn't bring about some improvement in the rates and amounts, it would be critical that at least the Federal Government—let me try it another way. Our experience has been so bad that I would rather that the Government had said, "We don't do this any more," rather than buoying up the expectations of 8,000 individual families, and the 70 or more governments in Marin, with an expectancy. They blow into town, send out thousands of notices, saying, "You have a problem with your house, we will be right along."

That is not happening. As sad as I am to say it, it would be better that nothing be said than promoting a fraud.

Mr. MITCHELL. I believe one of the most grave dangers to America today is the increasing loss of credibility in Government. Every time this kind of thing happens, that credibility is diminished.

I thank both of you for being here.

Ms. BOXER. Thank you.

Mr. GIACOMINI. Thank you.

Mr. MITCHELL. We will now hear from our next panel. Are Mrs. Jeanne Hsu, Mrs. Agnes Holster, Mr. Malcolm Brodzinsky, and Mr. George Kohler here?

We certainly thank all of you for taking the time to come to us. I have to be very, very honest with you. A committee does not have awesome powers to bring about miraculous overnight changes. We just don't. On the other hand, we like to come out and hear from the people. I commit myself, and I will do it many more times during this hearing, that I and the other members will do our utmost to rectify some of these very, very bad situations that we have heard about so far.

There are no miracles. I don't go and tell the President; "Look, I want you to immediatley move people from SBA out into California." But I think a committee of the Congress does have power to bring about change.

Could we hear from Mrs. Hsu first.

PANEL CONSISTING OF JEANNE HSU; AGNES HOLSTER, ACCOMPANIED BY JOHN R. CONWELL; MALCOLM BRODZINSKY; AND GEORGE KOHLER

TESTIMONY OF JEANNE HSU, MILL VALLEY, CALIF.

Ms. Hsu. On January 3, my husband, my son and I were getting ready to go back to work the next day. We had at that time a really nice home in Tiburon. On January 4, I went back to work. My son and my husband had a couple of more days off, and it was on that day it happened. Our house was really a well-constructed house, but the hill behind us just gave way. Tons and tons of mud just destroyed our house completely, destroyed our house completely, just like a house of cards, and my husband was killed in the landslide.

Mr. Mitchell. I am so very sorry to hear that.

Ms. Hsu. Well, now, of course nothing can bring back my husband. But maybe something can be done to make our situation a little less precarious.

Our combined income used to be around $40,000, $45,000 a year. Now, as far as I can tell, my income is not going to be more than $28,000. The house is a total loss. It was worth about $300,000. Even the land is a loss. It cannot be rebuilt, and the insurance has not paid. All the contents are gone.

So there I am. I would like to be able to really find and buy another house. It won't be as nice, it won't be as well located. I know that. But for the money I can gather, I could have some downpayment. But $55,000 from the SBA is not going to be much of a help. With the price of houses around Marin County, you cannot do much with that. Most of all, I just cannot afford the 16 percent rate.

I have to think of the monthly payment I would have to make on whatever I think I have. I am now 58. In a few years, when I retire, my income is likely to be less. I cannot be saddled with very high monthly payments.

Mr. Mitchell. Was your home paid for?

Ms. Hsu. It wasn't paid for. We still owe $35,000 on it. The payments were only $302 to be exact, which was quite comfortable on our income. Even now, I could afford that, but not a 16-percent rate. I don't know whatever mortgage I would have to get. So that is the situation.

Mr. **Mitchell.** Did you apply at all with SBA?

Ms. **Hsu.** I did apply to SBA. Maybe I won't be able to even take it. At those rates—if I cannot get another kind of loan with a reasonable rate, I won't be able to buy a house at all. I would have to keep on renting.

Mr. **Mitchell.** When did you apply to SBA?

Ms. **Hsu.** In late February.

Mr. **Mitchell.** Have you heard anything from them since?

Ms. **Hsu.** Yes, last week I received a call that they had gone to look at the site, and they would let me know in a month or so.

Mr. **Mitchell.** OK.

Mrs. Holster.

TESTIMONY OF AGNES HOLSTER, SAN RAFAEL, CALIF.; ACCOMPANIED BY JOHN R. CONWELL

Mrs. **Holster.** Thank you, Mr. Chairman. The night of January 4 we were all together: my son Ivor, my daughter Vanessa, and I.

Mr. **Mitchell.** Would you hold your mike a little closer?

Mrs. **Holster.** We had come home early in the day and the flooding was already bad. We had heard Peter Gedding's weather report and he said between 7 and 11 we would be having heavy rains. We watched television. There was a flash: Golden Gate Bridge was closed due to a slide.

Our home was on a steep hill. We took an elevator to it. It had 100 feet of small gage railroad track. A friend, Jim, was house-sitting in a house across the ravine. The house was one my son was working on, remodeling it. Jim called about 8:30 and said the debris was coming down fast. The house had a small stream come across and around it which had to go through a heavy gage iron screen before going down into a drainage pipe down the hill. Ivor told him to take a rake and rake it off—rocks, broken branches and so forth. About 15 minutes later, he called again and said it was coming down faster than he could handle it. Ivor went over to help him.

Well, Nessa and I were watching television, "The Kid from Nowhere." We heard a loud crash. Nessa said, "What's that?" I said, "Trees falling. But that is way high up." I had had the trees trimmed around the house last spring, so I didn't think anything was happening close to the house. But we had the outdoor light on, and automatically we looked out the window, and we saw it coming.

I said, "Oh, my God, I don't believe it." I remember hugging my daughter Nessa. She said I pushed her under the table. I remember turning around as it was registering what was happening. It happened so fast. I was knocked off my feet, flat on my back. I heard all the noise of the cracking objects. Then the sensation of rolling and tumbling from side to side and rocking. It seemed like an awful long time before we stopped.

When we stopped, Nessa was lodged in the crotch of my legs. My back was hurting badly. I was lying on something sharp. My right leg was bent at the knee, away from my body, and my ankle hurt. My foot was pinned against something so that I could not move it. Nessa said there were heavy objects above her that she couldn't move. I said, "There is air and we can breathe." Nessa started to panic, and I said, "Let's pray." We said three Hail Marys. Then I said, "Nessa, I see a light. I see a flashlight." And then I heard my son calling. I said, "Nessa, I hear Ivor calling us." He shouted, panic-stricken, "Where are you, where are you."

Nessa and I answered and yelled, "We are here, we are here." When he saw us, he said, "Thank God you are alive. I thought you were dead." I could hear Jim, the fellow he was working with, saying, "I will go and call an ambulance." Ivor was able to get Nessa out first, and he went with her to a neighbor's house. By that time, Bob Winsdale, a neighbor, came; and the firemen helped to get me out.

When I was recovering and knew the deadline for filing the SBA loan application was near at hand, I had a difficult time making myself go and apply. First, $50,000 was a lot of money for me to think about borrowing and paying the interest on. The balance on our old loan was $3,300. You see, my husband was an architect, and he designed and built the house. My son helped him. I am a widow now. He died in 1979. But we never borrowed more than $16,000. We did it in phases. First we borrowed money to build the bridge. Next we filled in the road when it had washed away, and then we built the hill-vator. By this time the loss was paid for, and the loan.

We borrowed money again for the first phase of the construction, the foundation. When this was done, we took out a construction loan which was 6¼ percent. When we got the construction loan, it was with the understanding that all the finish work inside would not be done until we moved in. He took a leave of absence from work and during the summer we started a house. It was because of the way we had done this, we had the house that we lived in, which was a large house.

We have nine rooms in it, three stories, with five levels. The replacement cost of this house with inflation is way up now. There is no way I could replace it.

Second, the way I started to replace what I had, with $50,000, there was no way I could finance it. I had to work after my husband died. I was fortunate enough to be able to use a CETA program to help me qualify for job placement. But I feel my salary would not qualify me for borrowing more money.

I was frightened, sad, still recuperating. But I had to make a decision. My strongest desire was to do what I could to establish a home for me and my children. When I was brought up, the children had a home with the parents until they married or moved away because of their work. My husband was very fond of the children. Everything we did, we did with the children and for the children.

I was at a meeting at the Presbyterian Church in San Rafael. A lawyer was there explaining to the people what the deadlines were for filing claims, and then there was a question and answer period. When they talked about the SBA loan, people were upset, saying if you had good credit and could get a loan elsewhere, they would come back with 16 percent, and if you had bad credit—this is what the people used as their term—and were unable to get a loan elsewhere, it was 8 percent, which the group felt was unfair.

As a result, you could hear the people saying, "I did not even bother to file for a claim." They were discouraged. I feel encouraged at the possibility of a 3-percent loan, and the ceiling not $55,000.

I thank you for all the work that you are doing to help us people get reestablished in the lifestyle that we had before all this happened. Thank you.

Mr. MITCHELL. I thank you. Only a totally insensitive human being would not be moved by your testimony.

Did you sustain physical injuries?

Mrs. HOLSTER. A very bad sprained ankle, a fractured rib, a total mass of bruises all over my body.

Mr. MITCHELL. But no permanent disability.

Mrs. HOLSTER. That's right.

Mr. MITCHELL. Now, if a right formula could be arrived at in terms of interest and so forth, would you be interested in trying to rebuild your home?

Mrs. HOLSTER. At the site where my home was, there is no way I could rebuild. I have questions in my mind—I have a buildable site alongside—when I would be permitted to build there because of the situation where the mud came from. It came from about 200 feet above and the depth and width of the hole; it was estimated by a geologist that 15,000 tons of earth taking in its path all the trees, oak trees, and everything, came at us at 30 miles an hour.

The hole is about the width of the backing, where you are at there now—about 8 to 10 feet deep.

Mr. MITCHELL. Did you actually apply for SBA assistance?

Mrs. HOLSTER. Yes, I did.

Mr. MITCHELL. When did you file an application?

Mrs. HOLSTER. Near the deadline. Sometime near the end of February or the beginning of March.

Mr. MITCHELL. Have you heard from the SBA on your application?

Mrs. HOLSTER. Yes; I had additional forms I had to furnish them.

Mr. MITCHELL. When did you hear from them?

Mrs. HOLSTER. I heard from them within 2 weeks after I applied.

Mr. MITCHELL. That was to ask you to fill out some additional forms?

Mrs. HOLSTER. Yes, additional forms.

Mr. MITCHELL. So since the end of February to the middle of March have you heard from them?

Mrs. HOLSTER. Yes; someone came out about a week or 10 days ago. Someone came out to verify the destruction and was there taking pictures.

Mr. CONWELL. I am Mrs. Holster's attorney. I would like to make some comments relative to small business loans and high interest rates.

Mr. MITCHELL. Let me hear from the other panelists first, and then you may proceed.

Mr. CONWELL. Thank you.

Mr. MITCHELL. Mr. Brodzinsky.

TESTIMONY OF MALCOLM BRODZINSKY, SAN RAFAEL, CALIF.

Mr. BRODZINSKY. My wife and I purchased our home in 1978 for $75,000. About a year ago we had a child. We had just returned from vacation 2 days before January 4. We woke up that morning. Neither of us could get out of the house to get to work, because the roads were closed. So we stayed at home. My business is in downtown San Anselmo. I lived up the hill in San Anselmo.

During the day we just watched the destruction around the house, trees falling. Somewhere around 2:30, I looked out the window and saw the ground giving way. Our house is on a hill. I saw the ground giving way above us on the hill. I told my wife to take the baby and go across the street and get out of the house. We had to cross a bridge, a wooden bridge from our house to the street. She ran out. I ran downstairs to pack a few bags, and water started coming in the downstairs.

I grabbed the bags and ran out. As I was running out, the house started moving down the hill. I jumped over the rail and got onto the hill itself as it was moving and started calling for help. The neighbors came out and helped me get out of there. We had no injuries, fortunately. My wife and baby are fine, and I am fine.

Fortunately, we had relatives in the area, and we stayed with my aunt and uncle for about 3 weeks, until we were able to find rental housing. It was about a week before I was able to get back to work, because downtown San Anselmo was destroyed. My business was OK. There were no problems with my business, because I was on a second floor and the flooding didn't get that high.

We applied for an SBA loan on February 7. About 2 days before the deadline, I got a call from the SBA at my office asking me would I apply. And that was the first indication that there were going to be some problems, because I had already applied about a month before. I told them that I already had. He said he had not seen my file. He called me back later that day and said he found my file, and, yes, in fact the application had been entered, but they didn't have enough information, they needed more information from me. I also had to submit further information, documenting the loss.

We have applied. We are looking for houses right now. The problem is that we are having to look for houses that have high enough assumables, the loan being assumable, so we could take it over, because the interest rates now are phenomenal. Our house was appraised at $160,000 just prior to the damage. It is a total loss now. It is hanging there. It slid down the hill and lodged against some bedrock.

The tragedy for me is the house is still there. I go up there and I look at it every once in a while, and probably inside the house there is very little damage. But the nearest estimate I have been able to get is in excess of $110,000 to repair the house, to rebuild the hill and rebuild the foundation and to repair whatever minor structural damage there is.

So for us, we have to look for another house. We still have our mortgage.

Mr. MITCHELL. What is your mortgage?

Mr. **Brodzinsky**. Right now it is $57,000. We were paying $480 a month.

Mr. **Mitchell**. Am I right in assuming that the reason you looked for an assumable is simply the interest cost on the SBA loan?

Mr. **Brodzinsky**. Well, both. The interest as well as being able to take over someone else's mortgage, that will at least bring down the cost we have to put out. For us it is both the interest rate and how much capital we are going to need.

Mr. **Mitchell**. Thank you. I don't have any questions.

Mr. Kohler.

TESTIMONY OF GEORGE KOHLER, INVERNESS, CALIF.

Mr. **Kohler**. Last year I felt after 45 years of work, 16 years in industry, and some 25 years in the Department of Agriculture as a research scientist, that I should retire. So I retired as of about January 1981. We had been building toward this event by developing a home in Inverness which we built about 8 years ago. I need to say a little bit about the house for you to understand the situation.

We are not in one of the canyons. We are down in the flatland below Redwood Way. Our house was about 125 feet from the road toward the Bay. Who would think there would be a flood there? We had pilings 5 to 6 feet high, which were really put in so that at the very highest tide a little water comes up to the house. However, on January 4, I was home—being retired—actually, I have developed a consulting business and also we have a couple of low cost rental properties which we are managing. So I retired, but I am trying to earn something, too.

But on January 4, in the morning, the power went off, and water was coming out of the canyon above us at a good clip. The year before we put in a garage and workshop, which was a 40 by 24 structure. It has three cars in it, all 1960 vintage—two Mustangs, which were getting more valuable all the time, an old 1964 Cadillac, and a tractor.

I was out in the garage at about 9 o'clock, and I cranked up the generator because the power went off. Then a surge of water came and hit the garage. I wasn't sure if it was going to last or not. My wife was shrieking in the house "Come in, come in." I went through water about three feet deep. It was largely water at that time. And I got back to the house. About 15 minutes later the big blow came, and one of the largest slides in history, I am told, occured up at the top of the canyon. It was a mile and a half long by some 80 feet. This carried trees, which rushed down into the canyon, and reached across the highway, 125 feet to our house, knocked us off the pilings—at least something knocked us off the pilings—it might have been our own trees—probably was.

At any rate, we slid out then into the mud, on top of the mud and water, about 125 or 150 feet from our house. My wife and I were standing at the front door. We saw this wall of water and trees coming at us. But there was nothing we could do, because we are more or less isolated. There was thigh-deep water and mud on all sides of the house at that point.

So after just a few seconds, we were already translocated to another place and looking around to see what was happening. Neither of us was hurt. The water hardly came into the house. We just kind of slid out. I whistled and got our neighbors to come and help us. They helped us to go through this mud and water about 150 feet, wading through this goo. We spent the night there, a couple of nights there; and then we moved to our daughter's house, at Point Reyes Station, for another 2 weeks. Now we are living in a motel in Inverness.

Down to the point of what to do about it all and loans, what we have done is to get bids on taking the house, which is relatively—it is recoverable—and to get it moved back onto pilings at another location on the lot. We have a large lot which was hardly hit by the mud at all. The trailer we had over there was untouched. We hope to do this. We have finally gotten permits from the county to do this. We have our bids in on it. But we have not been able to get the money together yet. So we are all set to go; all we need is money.

Now, I applied for an SBA loan the latter part of February. I had several responses on it, but nothing has happened.

Mr. MITCHELL. You had several responses and what?

Mr. KOHLER. Requests for more information, then more information. And it was suggested that since we are in business, that we file a second loan, which we have done. We filed two loans—one for the home disaster, one for the small business, because of the tractor involved in the business operation which we carried on from our home.

What has happened, which is good, is that we have gotten a $15,000 grant from the San Fran Foundation. The problem is if we don't move our house quickly, it is deteriorating very fast and it will not be usable.

Mr. MITCHELL. You received a grant?

Mr. KOHLER. This grant has been given to us.

Mr. MITCHELL. In the amount of $15,000?

Mr. KOHLER. $15,000. It will cost $25,000 to get the house moved onto the pilings, not repaired. But that is what we need to do, right away.

To go back one more step, I mentioned that we had purchased the rental property. That place has a balloon payment which is due 1 year from October. That is $40,000. What I have been doing is accumulating as much money as I could in a money market fund in order to meet that debt. Otherwise, we will lose all that and maybe go bankrupt. Who knows.

At any rate, I had promised the San Fran fund people that we would put up the rest of the money to recover the house. I am taking that out of my reserves that I have been building up against this future payment. So for the present, we will get moving. It will take another $25,000 over the first $25,000 in order to get the plumbing and the rest of the things to a point where the house is habitable. Our total loss is in the range of $200,000.

Mr. MITCHELL. That is residence and business? A total of $200,000?

Mr. KOHLER. Yes; so what we want to do first is just get a place so we can get out of that motel and get into a house again. It will be a barebones house, without carpets and other things. But that is what we are going to do. And that will take $50,000. And we are depending on the SBA loan to come through sometime in the next month or hopefully tomorrow.

Mr. MITCHELL. Did they indicate that to you?

Mr. KOHLER. I don't have any solid indication at all. The person came out to verify the loss. And she said she didn't see why there wouldn't be a loan approved—she said this is about as bad as they have seen. But I don't have any definite commitment as of this time. Right now I am sweating it out.

Mr. MITCHELL. Thank you, sir.

Counsel, could we hear from you? You wanted to make a statement.

Mr. CONWELL. Yes; I am an attorney in Marin County. I was brought into the disaster in a sense after the fact. I started volunteering legal services for some of the disaster victims.

Mr. MITCHELL. Volunteering your services?

Mr. CONWELL. Yes; I heard about Agnes Holster's predicament; that she had lost her home. I didn't realize I was actually going through the looking glass when I was faced with her situation. Her house was pushed off the side of a hill by land from Golden Gate National Recreation Area. It came to rest on the bottom of a ravine and acted as a retaining wall for all of the debris, the trees, mud, and water from behind the hill, and ended up saving three other homes down the hillside, by her losing her home.

She is potentially liable to some of the adjacent landowners for the resulting condemnation of their homes, because her home is so precariously situated in that ravine—condemnation because of imminent hazard—further landslide. This has caused the other homes to be condemned as well. They are still there, but there is a condemnation. Her home also knocked out a bridge, which was an easement for three other homes on the other side of the ravine, for which she is also potentially liable. None of the other landowners to my knowledge have applied for small business loans.

Mr. MITCHELL. She would be potentially liable for what?

Mr. CONWELL. Condemnation. Her home resulted in a technical trespass on some other property.

Mr. MITCHELL. Oh, for heaven's sake.

Mr. CONWELL. To my knowledge——

Mr. MITCHELL. Has anyone intimated they would pursue a course of action against her?

Mr. CONWELL. Yes; none of the other landowners to my knowledge have applied for small business loans because the interest rates are too high, and also, obviously they want Agnes Holster, if she qualifies, to take the small business loan, have the debris removed, and the condemnation lifted. And this in no way puts her back into her earlier position of having a home. The estimates we have from contractors are that it would cost $20,000 to $30,000 just to remove the debris. That doesn't cover putting the bridge back. FEMA only wants to come up with $9,000. And it appears part of her Small Business Administration loan is going to be used toward debris removal.

Mr. MITCHELL. I am not a lawyer, but I think that is the most ridiculous thing I have ever heard in my life. Here is an act of God. You didn't want your home moved there.

Mr. CONWELL. We have not been able to get much cooperation from the Park Service to help clear up the debris. The department of public works is willing to help negotiate increases in the FEMA loan. But Agnes Holster's position is really pretty desperate. I have been trying to work with the insurance company to try to get some coverage for her in terms of liability or the coverage of the loss of her home. The Red Cross couldn't get volunteers to come out and do work. We had two groups, one from the Mennonites, one from the Southern Baptists, and because of the nature of the debris, it is too dangerous for volunteers to get out there. So we are trying to work with contractors who have some expertise in debris removal.

We have not been able to do anything for the last 3 months except come up with almost insurmountable difficulties from private agencies and Government agencies.

Mr. MITCHELL. I hope I am not prejudicing your case in any way. First of all, I want to commend you for volunteering your services. That is marvelous. It is difficult for me to think of people being so bereft of a sense of compassion and understanding that they would pursue that course of action against Mrs. Holster.

Generally in this kind of disaster, the best spirit in human beings arises. What you are telling me suggests in some it is the worst.

Mr. CONWELL. It seems to be. I am sorry to have to tell this story. Actually, all the stories here are terrible. It just so happens there seems to be a disproportionate burden, in part based I think on the interest rates, that discourages other adjacent landowners from taking out small business loans to help Agnes Holster remove the debris. She lost her home, but they are just losing rent or the enjoyment of their homes.

Mr. MITCHELL. Thank you very much, counsel.

Mrs. HSU. May I say something?

Mr. MITCHELL. Yes, indeed.

Mrs. HSU. I really feel sorry for all your trouble, but I must say that I have had a different experience. People have been just wonderful to me. Our house was located just across the street from Paradise Park. And the park people have been wonderful. Even with the debris—and part of our house really went down into the park and closed a road. And they really helped and really worked hard. And also another group that helped us a lot was the CCC, the California Conservation Corp. Those young people came and worked and really worked hard. There was good cheer; they were just wonderful.

I wanted to add this upbeat note.

Mr. MITCHELL. You restore my faith.

Let me just say the bottom line in all of your testimony, and I appreciate each of you testifying, is that, No. 1, the amount of money being offered, the $55,000, is certainly inadequate to do the job. No. 2, the interest rate of 16 percent discourages people from taking advantage of the program. And third, getting back to FEMA again, which is outside of the jurisdiction of my committee—well, suffice it to say I have an interest there.

Is that a correct assumption I am making—that is that about the bottom line of all the testimony?

Mr. **Brodzinsky**. May I say something, Mr. Chairman. I would like to say that we did obtain, for the record, phenomenal assistance both from FEMA and from the Red Cross. They were our saviors. FEMA came in immediately for us and assisted us, and they call us every once in a while to make sure that we are OK, and that we are taken care of. And the Red Cross as well. They really did help us. And the other thing is, the problem, the main problem I am having right now with the SBA is the bureaucracy, and not knowing. It is like, it is out there, the loan is potentially out there for us, and they say, "Well, put a bid in on a house, and let us know about it, give us all the figures and we will let you know then if you qualify." And I find that really unreasonable. I find that incredible.

Mr. **Mitchell**. It seems to me it should be the other way around, that you should be qualified for some kind of assistance first, and then based on that—even a prequalification kind of process—then you should go find your home.

Mr. **Brodzinsky**. They did give us a verbal prequalification, saying that, "Yes; in fact your house was damaged to the point that you cannot get back in there. And yes, you do need money. But whether or not we are going to give you a loan and whether or not we are going to give that money at 8 or 16 percent remains to be seen."

Mr. **Mitchell**. I want to thank all of you who have taken the time to be here. We are going to take just a short 8 minute recess, so our reporter can relax for a moment or two. Then we will move immediately into the next panel: Mr. Brucia, Mr. Mavrantonis, Mr. Oberlin, Mr. Snyder, Mr. Kaufman.

[A short recess was taken.]

Mr. **Mitchell**. The hearing will now resume.

We will hear from our next panel, which is a business panel consisting of Mr. Brucia, Mr. Mavrantonis, Mr. Oberlin, Mr. Snyder, and Mr. Kaufman.

I know what it means to take time away from business. A half day away from business can hurt. And with your businesses having already been hurt, it must be an enormous sacrifice for you to come here. The committee certainly appreciates your taking the time to come.

I would like to proceed on the basis of hearing from each witness as the names were called. I will try not to interrupt with questions until we have heard from all the panel. But sometimes I get carried away, as you can tell, and I start interrupting the witnesses—only because I am a little disturbed about something.

If we could try to follow that format, we will lead off with Mr. Brucia.

PANEL CONSISTING OF LARRY BRUCIA; TONY MAVRANTONIS; WULFRIN OBERLIN; STEVE SNYDER; AND MOZART KAUFMAN

TESTIMONY OF LARRY BRUCIA, MARIN FOOD CO., SAN RAFAEL, CALIF.

Mr. Brucia. Mr. Chairman, thank you very much for allowing us the opportunity to tell you what has happened to us in the last 3 months.

The name of my business is Marin Food Specialties. We are a wholesale fruit distributor, importer, exporter, and manufacturer, in San Rafael.

Our customer base is primarily supermarkets, health food stores, natural food stores, and the general food industry.

I started the business in 1974 with a gut and a prayer, and some of my father's money and got involved in the natural food industry, which was at that time growing substantially.

The first year of business I did three-quarters of a million dollars, and, in 1982, we projected about $6 million in sales. We are in the food distribution business, so our margins are not very large. In fact, our margins of profit run about eight-tenths of 1 percent.

I employ about 50 employees at this time. We have our own distribution business throughout the Northern California Bay area.

On January 4, 1982, I got a call from my sister, who works for me, and she informed me that my parents' house was flooding and for me to get down there as soon as I could. So I jumped in my car, managed to drive through the streets, but could not get to my parents' home.

I did manage to get to my business. At about 7:30 that morning, I could see that the waters were coming up very rapidly, up to our warehouse. We have a 20,000 square-foot warehouse, about 6 doors. One of my employees was in the building at the time. I yelled at him, "Grab sugar sacks, flour sacks, grab anything you can; that water is coming up."

We did manage to block off the first two doors of our warehouse. But by the time 7:30 came, the water had already started coming into the warehouse, and within half an hour we had 12 inches, and within an hour we had 36 inches, and it was still rising.

So I just told everyone to get out of the warehouse and go home and see what they could do to protect their homes.

The type of foods that I carry are bulk foods, primarily nuts, seeds, flours, grains, but we also have various canned and bottled items.

Because of the fact that we do carry bulk foods, we had most of our foods, like almonds, pistachios, macadamia nuts, kept in corrugated boxes. We had water over 3 feet come into our warehouse. It destroyed the bottoms of the boxes, which caused the pallets to fall, which caused incredible damage.

That night, I did have the opportunity to go into the area with the National Guard, and what I saw, Mr. Chairman, was extremely devastating. I saw basically most all my inventory destroyed.

I did find out a few days later, after trying to put together the mess we had, that we had lost over $400,000 in inventory. But I wasn't about to sit back and ask anyone for help at that moment. I looked at the people that worked for me. We put together the best program we could and started cleaning up.

That is the way we got started, basically with the people that were with me.

On January 11, the disaster center opened up in San Rafael for people to come in and apply or get applications for help. I did so.

On the 22d of January, 11 days later, I submitted a complete detailed application to the SBA in Sacramento. It wasn't until February 8 that we were notified that a verifier was coming out that day to verify our loss.

On February 8, the verifier did come out. He looked around. He knew the area had been hit substantially by high waters, because he had visited a couple of businesses prior to ours. He informed me that "You are eligible for the money you lost; you definitely did incur the damages that you have claimed that you have."

We had the FDA certificates showing all the condemned inventory of foods; we also had extensive photographs of everything that happened to us. We waited.

We waited 2 weeks; we waited 3 weeks. March came. Nothing. Meanwhile, I had creditors I had to talk to. I had 50 employees, Mr. Chairman, I had to talk to. I had to tell them what was going to happen to their lives and their homes, because many of them were newlyweds, had just bought homes in Marin County, and had mortgages to pay.

We waited.

We got a call finally the first or second week of March, asking for more information, which we quickly gave to them. And then we waited. On March 26, out of sheer frustration and concern, I once again called the SBA. I asked them what was going on. I asked for the gentleman that was in charge of our loan. He was no longer there. Another gentleman got on the phone, and he said, "Mr. Brucia, I have news to tell you." I said, "Yes, what is it?"

He said, "Your loan has been approved."

I said, "At what interest rate?"

He said, "At 8 percent."

I hung up the phone and felt relieved that at least I was going to be able to continue in business. I felt relieved that I could tell the creditors what had happened, and the fact that I was going to get a loan. I got my employees together and told them their futures were a little bit more secure with us, now that we were going to get a loan from the SBA. The interest rate was high—8 percent is high for a food distribution business. I was informed that the papers would be sent to me the following week, and I would be able to sign them and at that point be able to get the money.

The next week came; Tuesday came; no word. Wednesday came; no word. On Thursday, I called the SBA to ask them what was going on. I was informed that they didn't know who I was. I said, "What?"

They then informed me, "Well, this is the disaster office. If anyone can help, maybe the central office can help you. Call collect."

So I called collect to the Sacramento SBA office. They refused the call. So I called to them with my own phone, and I asked them what was going on. I was then informed, Mr. Chairman, at that time, that my loan had been denied. I was not only shocked and frustrated, but extremely angry.

The insensitivity with which I was thrown about with that decision was painful. What was I to tell my employees?

Mr. **Mitchell**. Did they give you a reason why it was denied?

Mr. **Brucia**. Yes, Mr. Chairman. I will tell you what they said. They informed me, the first man that I talked to, informed me it was denied because I had not asked for enough. Can you imagine?

Mr. **Mitchell**. Do you recall what his name was?

Mr. **Brucia**. Yes, I do. Mr. Breyer.

Mr. **Mitchell**. B-r-e-y-e-r?

Mr. **Brucia**. I believe that is the spelling.

Mr. **Mitchell**. And he is with the central office?

Mr. **Brucia**. In Sacramento.

Mr. **Mitchell**. And he advised you, that you did not ask for enough money? How much did you ask for?

Mr. **Brucia**. We asked for $450,000 in physical losses and $350,000 for economic injury. And they had approved the loan of $433,000, 85 percent of which was $368,000. At least that is what I was told that Friday, the Friday before. Mr. Breyer informed me that I would be receiving a letter from the branch manager as to why it was only a formality, the denial. I really could get more money than what they had originally offered to give me. I was not only confused; I could not tell what was going on.

The next day, I did get that letter from the district manager. It was a denial, completely, of any money being offered to us at all.

So I immediately called this man up. I talked to him on the telephone. And to quote his words, he informed me that even though other people felt that I should be approved, he could not put his name on the application because he felt it was slightly negative.

I asked him why did he feel it was slightly negative. He informed me that we are in the food distribution business; our percentage of profit is not great, and the repayment on the money that we are asking for at the interest rate, in effect, was not possible for us.

I informed him I was willing to and had lowered not only my wages, but many of the employees' wages. I was willing to move the business to another location to lower the rent. I was willing to guarantee every penny that I borrowed, or every penny I had to be applied against the borrowing. I told him that he just cannot look at numbers and figures; he has to think about the people behind the business who are running it.

Our profit is not great because of the type of business we are in. He still informed me that the best thing I could do was to reapply. And he had no guarantees of any nature whatsoever.

Mr. Chairman, this is March 31, almost 3 months after the flood. If it wasn't for the fact that we are the company that I am trying to convince the SBA that we are, my creditors would not have given me 12 months to pay back the December invoices that we owe. If it wasn't for them, I would not be here, because the Federal Government wasn't helping me; the SBA was not helping me.

Mr. Chairman, I am not asking for a handout. I understand that our Government has made extensive cutbacks in many programs in Washington, and I know why they are trying to do it. At least, I think I know why they are trying to do it. But without the people like us, they won't have anything to draw from. I spent 8 years paying taxes. In fact, one year I paid almost $80,000 in taxes. I am not asking this Government to give me money. I am asking the Government to loan back to me the money that I gave to them. And I am asking them to loan it back to me at an interest rate that I can afford.

I am asking them to give me an opportunity to contribute back to the system that I have worked so hard within.

Of all the programs I would think our Government would look at, of all the programs that this country offers, here is one program that is offering people that have contributed into the system an opportunity to get something back.

I am not going to stop this. I know that my company is not the risk that this gentleman implied it was. We spent 8 years building it up. And I am going to continue in every effort I can to survive. And I am going to continue in every effort to let it be known what has happened to us.

Mr. **Mitchell**. In business since 1974, starting from scratch?

Mr. **Brucia**. That is correct.

Mr. **Mitchell**. Projecting $6 million for this year?

Mr. **Brucia**. That is correct.

Mr. **Mitchell**. And some person is indicating that they didn't think you had the ability to pay back a loan?

Mr. **Brucia**. That is correct.

Mr. **Mitchell**. I leaned over to check with counsel. I asked that he follow through on your case. We will do some follow through on the committee level. It is all I can tell you right now except to say I think that is just a bad judgment call.

Mr. **Brucia**. Mr. Chairman, also I feel not only is it a bad judgment call, but the methods with which we were thrown around——

Mr. **Mitchell**. Inexcusable. First of all, to have misled you, and then to let all that time expire. And then to flatly deny you. This is one that we will follow through on.

Mr. **Brucia**. Thank you.

Mr. **Mitchell**. Mr. Mavrantonis?

TESTIMONY OF TONY MAVRANTONIS, JACK'S DRUG STORE & MEDICAL SUPPLIES, SAN ANSELMO, CALIF.

Mr. **Mavrantonis**. I am Tony Mavrantonis. My business is Jack's Drug Store & Medical Supplies in San Anselmo. I arrived at work early on Monday morning, January 4, and managed to get in my door before the water came in. I began to caulk the doors. We kept the water out pretty successfully.

Later that morning, a truck went by, created a wake, broke the front door glass, and the water came in. We ran upstairs, and that was the end of it. We had water in the store that was around 4 to 4½ feet in some areas, 3 feet in other areas. And we suffered losses of approximately $80,000 in inventory, and about $10,000 or $15,000 in computer equipment and other supplies.

The miracle in San Anselmo was that the following morning everybody in town turned out and began to help everyone clean out their stores.

We had anywhere from 2,000 to 4,000 man-hours donated to us to clean out our store. And even though I may have been discouraged at one point, after this kind of an effort by the community, I owe them a drug store. And we are going to put it back together for them. And this month—the past month—our sales exceeded the year-before sales.

We were surprised to see what we are doing with the inventory.

We have applied for a $50,000 inventory replacement loan, and $15,000 for economic injury.

We have had the loss evaluator come down and check out our damage. He says, "There shouldn't be any problem with your getting an approval for the loan; I would imagine at 8 percent"—since I have been denied by banks to get additional credit. I am waiting to hear from them now. I have had no negative comment from them. I have had suppliers call up and say "they are checking on your credit; they have called us already."

I have had no bad experience with the SBA, because they have not turned me down yet.

Mr. Mitchell. When did you apply?

Mr. Mavrantonis. I applied the beginning of March. And we completed the forms. We have always kept a good balance sheet and profit-and-loss statement. We have computerized our system. It was no problem for us to show that we had this many dollars before; this many dollars left; and things like that. Our salesmen projected 15 to 17 percent better than the year before for the coming year, and the 6 months before the flood, we were doing just fine.

Now I am living on the generosity of my providers and my vendors, because they are calling occasionally to remind me that I did say I would pay them. And I thank them. And whatever funds we have coming into the store, receivables, we just assign it on a basis of whomever we owed the longest, we will pay them off.

I hope the money arrives, as I feel it will fairly soon, because I have not taken a salary up until the beginning of April, and we have depleted our personal savings. I am down to about $800. I have a lot more than that to pay out every month at home. I have been fortunate. My employees worked for weeks without pay.

Mr. Mitchell. How many employees?

Mr. Mavrantonis. I now have eight employees. We started with 10. The kids work for nothing. I had one gal—I had to force her to take a paycheck after a while. If we can get this thing at a reasonable rate—now, the drug store business is not unlike any other type of business. We operate on a small margin, also. Our margins will go at the bottom line at the end of the year from 1 to 3 percent. And if I have a smaller interest rate—you give any businessman $2, $3, $4,000, and he will make it into $30,000 or $40,000. And that $30,000 or $40,000 could turn around and very easily pay down a mortgage.

I have a $45,000 mortgage at 20 percent right now in the business. Give me a little extra profit on the bottom line, by giving me a little less interest rate, and I will funnel it into the business, increase our sales, give the community somewhat better service.

We have had to stop taking, for example, medical and medicaid and medicare claims. I have stopped taking medicare claims because it takes them so long to pay us. Sometimes you get back half. You have to say to the people on medicaid—sometimes you just forget about it. You have to forget about things like that, when you cannot pay your bills or yourself.

So we limit our services on these nonprofitable third-party things to strictly San Anselmo residents. I have stopped serving areas outside of my community with regard to the third-party plans.

Mr. MITCHELL. I certainly admire the spirit of both of you gentlemen. As you know, the Congress has a legitimate oversight function to follow through on the performance of agencies. Now, I am going to address myself to my friends sitting up here and ask that each one of these five cases be followed through on the committee level.

You have had no problems up to this point?

Mr. MAVRANTONIS. No problems whatsoever.

Mr. MITCHELL. That is a legitimate exercise for this committee to follow. And you are fairly typical, I think, of most of the businessmen.

We would like to take your five cases and find out why, when, how soon, and what caused the delay. Thank you.

Mr. Oberlin?

TESTIMONY OF WULFRIN OBERLIN, RED HILL TRAVEL, SAN ANSELMO, CALIF.

Mr. OBERLIN. Thank you for having us here.

I am Wulfrin Oberlin. I own Red Hill Travel, in San Anselmo.

On the morning of the flood, I went into the office, and there was a little bit of water on the street. I thought it wasn't very serious. We managed to get a couple of papers up, figuring maybe 6, 7 inches. Then we had to leave because water started rushing down San Anselmo Avenue.

The next morning, we found we had about 4½ feet of water in the office. Some of our computer equipment, typewriters, furniture and everything was totally ruined by the flood.

Afterward, people said to me, you are a travel agency; you have nothing but a bunch of vouchers, and those are replaceable.

The trouble is, our electronic equipment, amounting to $94,000, is a total loss, which we have to replace.

Well, the first thing I did, I put three people on furlough.

Mr. MITCHELL. How many total employees?

Mr. OBERLIN. We have six employees in total. And I decided to retrench, and operate manually, which we can do as a travel agency, without computers.

We came to agreements with our computer suppliers that we would get new equipment in and possibly pay them at a later date. Then we applied for a loan. We didn't apply for the full amount, mostly because I felt that I had to brace myself against the very worst that would happen, namely, that we would not receive a loan. Or the second worst, that we would have to pay 15 percent interest. Eight percent seems a very nice hopeful idea.

However, when I think realistically about 8 percent, it is also a very, very high interest rate. It is high because it takes a lot of money to pay that back. Everybody tells me, look, 8 percent is a steal in today's market, when the interest rate is 17 or 18. But that is an interest rate that has come about because maybe somewhere the Government has overspent, and they have to set their money supply up at a higher rate.

So, therefore, I decided to brace for the worst and apply for $35,000, which we felt we needed to get the office into reasonable shape again—not the way it was before, but we also figured that since a loan like this was for several years, we could accrue new equipment at a later time with the money we make in the meantime.

We had an SBA inspector come in who queried us why we only asked for $35,000, when our losses were higher. I explained to him I felt that at this time we didn't need any more, not under the conditions under which the loans are given. We have rebuilt the office. Our sales are up about 20 percent.

Mr. **Mitchell**. Did you get your loan?

Mr. **Oberlin**. No, we did not get the loan yet. We are waiting on that. They are asking us questions, and we are asking them questions, and they are asking us questions. But I have had so far no bad experience with SBA.

Mr. **Mitchell**. Was it $55,000 or $35,000?

Mr. **Oberlin**. $35,000.

Mr. **Mitchell**. Can you remember the date you applied?

Mr. **Oberlin**. No. It was the end of February, I believe.

Mr. **Mitchell**. I keep asking that, because it is only reasonable for me to assume that you ought to get a definitive answer within 30 days. I know it is a lot of work. And I know that that is not happening. But, in the business world, if you have a protracted period in which you don't know anything, you cannot begin to plan for the future.

Mr. **Oberlin**. We rehired one person. There are two people still out. We think with the projected business, we will be able to operate with a full staff within a fairly short time. The other side of the coin is if I let everybody go, and really reduce, they sit on the unemployment rolls, and that is not good.

Mr. **Mitchell**. I am hoping that maybe these gentlemen up here might know the results of your application before you do, because that is going to be our highest priority, to follow through on these five cases.

Mr. Snyder?

TESTIMONY OF STEVE SNYDER, SNYDER CHEVROLET, SAN RAFAEL, CALIF.

Mr. **Snyder**. I am Steve Snyder. I have a Chevrolet franchise in the city of San Rafael. They said the car business could not get any worse, and it did.

On January 4, I came back from vacation, and went into the dealership and noticed there was water on the floor. I immediately started mopping it up. I had leased the property from the State of California, and then I have another lot right next door leased from the city of San Rafael.

Between the two properties is what is considered a canal area. Water flows from the bay through the canal, or water will come over the foothills down into the canal.

At about 8 o'clock, I noticed that the canal was rising very quickly. And I would say within about 45 minutes, which would be about a quarter to 10, the water had come over the banks of the canal and started to rush toward the dealership, which is about 20 feet away. The water started to come in. I think it took about an hour and a half for the water to rise about 3 feet—I would say 2 feet, to the curb of the street.

At that time, we were trying to hold back the water with mops. In about the next 30 minutes, the water was into the showroom floor. We realized it wasn't going to stop.

As I stood on the showroom floor and looked out across the freeway, Highway 101, which is higher than my facility, I realized that the water would continue to come in until it reached freeway level and then probably subside. That is what happened.

Most of the employees were sent home between around 9:30 and 10:30, with the exception of myself and probably three others. And, as the water started to rise, we went through the dealership pulling out filing cabinet drawers and putting them up on top of the desks.

As we finished the first row of filing cabinets done, we would start on the second, and finally we got up to the third level. About that time, we went back into the parts department and noticed that the parts were starting to float around in the facility.

We tried to lift the computer up off the ground. It was about 500 pounds. We were able to get that 12 inches off the ground, which we thought was adequate. About 1:30, the water finally reached the freeway level, and at that point leveled off. It missed the Mercedes dealership across the freeway from me, but hit Volkswagen and the others on down, on the other side of the freeway.

On our side, the Oldsmobile dealership and some other small businesses were totally flooded out.

We were able to save all of our files. We had our furniture pretty much destroyed. We had a $50,000 computer that we tried to raise up, which was destroyed. I carried an inventory of approximately $650,000 in cars; $500,000 of those cars were destroyed.

However, it is mandatory for car dealers, in order to floor their vehicles, to carry all-risk insurance, which covers any sort of disaster.

So all of my inventory, as far as cars were concerned, was totally covered.

The flood was on Monday. On Friday afternoon, the insurance company gave me a check for $500,000. I was able to immediately go down to the bank——

Mr. MITCHELL. If only SBA could act in that fashion.

Mr. SNYDER. I could go down to the bank and pay all the cars off. And then, of course, I had to find some new inventory. I was able to order cars immediately from General Motors. I must say that through the whole first week everybody that was involved in the flood on both Monday and Tuesday seemed to have smiles on their faces, because they knew we were in a disaster and everybody had to help get things cleaned up.

General Motors was more than adequate in giving me help. The city of San Rafael has been more than adequate. Actually, the only complaint I have is they probably should have kept the canal clean so it would not have overflowed.

As far as applying for an SBA loan is concerned, I felt guilty. I felt guilty because of all the reports I had read about some of the disasters that homeowners had incurred, in that they lost their homes, and about the loss of life.

Also, I had to consider other businesses that were not as well off as I was, in that I did have insurance on my automobiles.

So I got the forms the first day that the SBA office was open, which was the 11th, or somewhere in there. We got the forms the first day and left them on my desk until the very end of February.

And then I thought about filling them out. And finally, on the last day that the paperwork was due—it had to be in the mail by 5 o'clock that night—I rushed through the paperwork in an hour and a half and submitted the forms.

I think that there is probably more of a need for people that lose homes and lives to receive assistance than me, personally. The only reason that I filed for the SBA loan was to see if the system that we work under really does work.

Since I filed on the last day, I received a report back from SBA in approximately 2 weeks, requesting more information, such as personal financial statements, financial statements on the business, deeds of trust to my home, outstanding debts, and the outstanding balances of those debts.

So I concurred with all the requests and remailed the forms approximately a week ago.

I still have reservations about whether or not the program, the way it stands, is a program that would work for me. One is that if there was a real need for getting the money, I am not too sure the need could be met quickly enough. My insurance company was more than gracious in bailing me out almost immediately.

That put me in a position to do what had to be done to get my business going. Because of that, I was only shut down for a day and a half. On Wednesday morning, we were able to be back into full operation with our service department.

Although we had no cars to sell, we were making phone calls to all the insurance companies in the area, telling them we were available to repair the cars lost or damaged in floods. So my business began to flourish because of that.

Naturally, I didn't make any money in January, because of the lack of cars. But in February I was able to go out and purchase cars from other dealers and get my business going again.

Some of the fallacies of the program are: All the publicity that I read, all the reports I read, about SBA, were generally bad, in that there were long lines; you had to wait forever to get your money; and then if you were to get your money, it was probably going to be at 16 percent. That even curtailed me from applying sooner.

Another problem that I have is that I understand if I do receive a loan, that I will have to buy flood insurance. Apparently the cost of flood insurance, according to my insurance company, is very, very expensive. So we not only have to consider the possibility of getting a loan at 16 percent, but we also have to consider the possibility of the insurance being so high that the combination of those two might make the repayment of that debt impossible.

Another problem I have is it seems to me that if people are in a disaster, that they should be treated equally. The way the program is set up now, those people that have the ability to repay the loan are going to pay 16 percent—those people that either don't have the ability to pay the loan or are in dire need of money and have no means to repay it, are going to pay the 8 percent. I think the loan should be equal to all and not discriminate.

If I receive the money from SBA, I would most likely be able to purchase more automobiles, and not have to pay that additional flooring expense to carry the automobiles in stock. That would enable me to hire a larger sales crew than I currently have, and that, of course, would increase the productivity in my service, parts, and body shop, and that alone would enable me to hire more people and incur a larger tax base.

Right now, I pay approximately $400,000 a year in taxes. With this additional money, I could see that maybe my tax base would increase and my sales would probably increase somewhere in the range of 20 to 25 percent.

Mr. **Mitchell**. Thank you.

It is a little beyond—it is a great deal beyond—the scope of this committee, but I think some of us in the Congress have to start looking at the insurance companies, also. We have got to find a method by means of which the insurance companies will be willing to be a little more flexible in terms of covering these natural disasters. Even if the SBA worked at maximum efficiency, it seems to me there would still be a need in the private sector. It is something we need to look at. It is not quite within the scope of this committee. But I would personally like to take a look at it.

You filed for how much money?

Mr. **Snyder**. Approximately $135,000, I believe.

Mr. **Mitchell**. Thank you.

Mr. Kaufman?

TESTIMONY OF MOZART KAUFMAN, KAUFMAN'S SPECIALTY SHOP, SAN ANSELMO, CALIF.

Mr. **Kaufman**. Mr. Chairman, I want to try to keep from repeating anything that has been said. I have a specialty shop in San Anselmo. I have been there for 30 years. I have the same problems as the other businessmen. We had 8 inches of water in our store. We were most likely the most devastated store in San Anselmo, and took the greatest loss and the greatest damage, due to certain flood conditions.

Just to jump up ahead to the current situation, the insurance for buildings and equipment and merchandise and everything in my store, under the Government plan, would be $5,208 a year, with a $200 deductible. I see by Sylvia Porter's column yesterday that that is going to go up 55 percent on June 1, which means $8,072 a year for the insurance—just for that.

A private insurance company offered me an entirely different policy with a large deductible for $2,684, with twice as much coverage, with the deductible. I don't think the Government is doing a job for us at all, on giving insurance. They just don't compete one bit. And the other policy also includes earthquake damage, by the way.

Jumping to a recommendation on the insurance, you wouldn't think of buying automobile insurance with 100 percent coverage. Why should you get $200,000 or $300,000 worth of flood insurance with a lousy $200 deductible? You can take a loss of $5,000, $10,000, $15,000, with that kind of insurance. They should give us a choice of a $1,000 deductible, $10,000 deductible, $25,000, $50,000 deductible. The whole rate changes when you get rid of the lower level of loss. It changes drastically.

I think they could solve a lot of their insurance problems if they would do that for us.

I think it is a thought that should be carried forward.

We, of course, were completely devastated. We took a loss of about $300,000. I have applied for a $300,000 loan. It is not just the loss. I have also had a loss in property that is going to carry forward into that, too. I really don't know exactly what my full losses will be yet. I am in a position, luckily, where I have a very good line of credit with the bank.

I had no desire to borrow from the Government. I didn't like the idea of borrowing from the Government. I put it off.

I sold off everything that I could, mortgaged my home again to the hilt; I put every bit of money that I could into my business, and tried to weather this thing without applying for a loan.

I went to the bank, worked out every detail that I could to raise my limit of lending power, and they have worked out some angles, so I could get additional money.

I have about a quarter of a million-dollar line of credit with the bank.

I have no problem for money right now. I am lucky on that score. I am paying my bills; I paid $175,000 already to have the store repaired.

I have to build up my inventory, my accounts receivable.

I didn't apply until March 4. And I waited until that time because the bank finally advised me that in light of the situation, they felt I should also apply for a small business loan.

So I took their advice, and I did. I got a full, complete application in, with everything that was needed on March 4. Around the end of March, a man came over to analyze the damage, looked at my bills, verified everything, and said that within 2 to 3 weeks I should be hearing from Sacramento, from the financial officer, who would then be able to talk to me on the phone and verify everything that he needed to decide the amount of money, and the rate of interest.

I don't have too much faith that I am going to get what I need at a rate of interest that I can use. I don't know whether it will be 8 or 16 percent. I don't know whether it will be partial this or partial that.

I do know this: With the number of years it is going to take me to earn enough money to pay off interest and to make money to live on, and to build up my inventory, it is going to be a very long, hard pull at that kind of rate of interest.

You have heard it already. There is no use expounding on it. It is as bad as you say. It is a very difficult situation.

I was advised by this man at the end of March that in order to build up my accounts receivable, I would have to apply for an additional amount of money on a different form, which I did a few days later.

I called Sacramento. They sent me the forms. I sent it back immediately. And that was considered economic loss. I don't know what they consider applies to what—fixtures, merchandise, accounts receivable.

I cannot really get answers to that.

No one knows. I think I have to wait until I see what happens.

We have an unusual shop in the town. I discovered, after we were flooded, and especially after we had come back with a brand-new beautiful store, that we are very important in the community. We have 21 employees, and we have been there for 30 years, as I have said.

It is a very fine quality shop that caters to people of that area. There is no shop in Marin County or in California that is like our shop. There is nothing like it in the whole country practically.

So it is a very unusual type of thing; people need it and appreciate it and want it. But, for me to get the money that is needed to carry the kind of inventory that is needed, so that I can make the profit that is necessary to pay 6 percent, to build up my 6-percent sales tax to the State, county and city, to pay income tax, it is pretty hard with this kind of rate of interest. I am going to have to always be squeezing my inventory down. This is the problem we all have.

I cannot do the business that is necessary; the interest rate is too high. My buyers all have orders that we must keep inventory down. So we cannot do the full job that is necessary to get in a position to pay taxes. And I will pay a lot more tax than I will be paying interest if I can get into a position to make money.

Mr. MITCHELL. Thank you.

I know you are burdened enough already, but I would really appreciate it if each of you gentlemen would keep a chronology on your dealing with the Small Business Administration. I don't mean to denigrate any agency of Government, but so often I have had people come in and say, "I did this on this date," and the SBA says, "We have not heard from them," and there is no documentation on the part of the businessman.

That would be helpful for us as we pursue from our committee level the immediate problems you have recited.

I am terribly sorry about the damage that has been imposed on you. Yet I must say, hearing your testimony, I am very encouraged; I really am. You said you are just not going to quit. And you said the same thing—you felt like throwing up your hands, and then you said, "No, I am back in business."

That is an awfully encouraging thing to hear. I just admire you tremendously for your fortitude and commitment.

We will be in contact with you. We will be working with SBA on these cases.

Gentlemen, thank you very much.

I am having ups and downs today. I am up right now following your testimony, despite the problems you have confronted. I was down a bit earlier.

But thank you for lifting me up a little bit. I appreciate it.

Our last panel consists of Mr. Robert Gaynor, Mr. John Robbins, and Mr. Howard Foote.

PANEL CONSISTING OF ROBERT GAYNOR; JOHN ROBBINS; AND HOWARD FOOTE

Mr. **Mitchell**. Gentlemen, thank you for having the patience to wait here with us. It is awfully important that we hear from everyone. As you know, we will be getting in our cars, and driving to the next location to take more testimony. I hate to take you from your business for half a day. But it is important we hear from you. We thank you for sacrificing to be with us.

First, Mr. Gaynor.

TESTIMONY OF ROBERT GAYNOR, POINT REYES STATION, CALIF.

Mr. **Gaynor**. Thank you, Mr. Chairman.

I live in Inverness Park, in Marin, a community that was hit pretty hard by the storm. It is an owner-occupied dwelling. My son and I were in the house when it was hit by a mudslide, knocked off its foundation and received structural damage.

The county fire department ordered it burned to avoid further damage to the road and to a neighboring house.

I filed my application with the SBA 2 weeks after the storm. I was contacted in a timely fashion, within 4 or 5 weeks. And I was given an indication that I could receive $54,000 for the house and personal possessions. The problem was the outstanding mortgage was the same size.

So 8 percent would seem like a pretty low figure to an outsider who is not facing the situation.

My outstanding mortgage was $55,000. After a month of offers and counteroffers with the mortgage company, just yesterday they agreed to discount 10 percent, since the SBA could only go up to $50,000 to refinance. It was clear that I could not come up with the extra $5,000 cash.

Just 2 weeks ago, I wrote the SBA and told them I didn't see how I could accept their new loan, because I could not come up with the difference in cash to reconvey it. The increased payments on $104,000 would be about 20 percent larger than my old mortgage payment.

Mr. **Mitchell**. What was your old payment?

Mr. **Gaynor**. Total, about $615. That is exclusive of taxes and insurance. The new one would be about $750, exclusive.

But since I have learned that the IRS has increased allowable exemptions this year, I can take another four or five. That will make that difference. Now, although it is not in writing, I believe I can swing the reconveyance. But I wrote a rather doubtful letter to the SBA a little over a week ago, which I have a copy of, dated March 25, telling them to put everything on the back burner.

So now I have to write them again, according to the SBA, and they will have to bring it before the committee again to see if they will approve the loan. They want to know the basis for my change of heart. And it is as I have told you.

Of course, I still now am not certain I can rebuild. I am fortunate in several respects. I have a small cottage that my son and I live in—only 800 square feet—850. And we are going to rebuild along the same lines, within 6 or 7 percent the same size. But there has been a lot of reference in testimony here as to how unique the California housing experience is, and that it is so expensive. Because of lot damage due to the mud slide—we don't know how extensive it is yet—the Buck Foundation has agreed to cover up to $15,000 in damage repairs. If it goes over that, I am out in the cold again.

We think it will be close. If I can rebuild another house for $50,000. I feel that I can. Again, it will be a minimal dwelling. But, clearly, the thrust of my testimony is that if I were building a normal sized house—I can equate my small home and expense to, say, a 1,500-square-foot house in Hot Springs, Ark., or Pascaloosa, Miss.—there just would not be sufficient funds available.

The interest rates are too high. My new debt service, without taxes and insurance, will be 40 percent of my gross—without taxes and insurance. And out of my gross, which is something every individual has to look into before they feel that they can service a debt—I have $180 automatically deducted for the State retirement system.

So, the gross—there is not as much gross as one would think.

But I am a median income individual on the national average. I think the national average is about $29,000 per household, median. And I am in that ballpark.

This year, I will be at $32,000. I have a mortgage, which was $55,000, about $52,000, which approaches the size of your national mortgages.

I think nationally the median is about $45,000 for a mortgage. I had such a tiny structure, which I hopefully plan to rebuild. But I am still having difficulty, even for that size of house—again, not saying that I am part of the California experience with large expensive homes.

If I were in Shreveport, La, and encountered the same disaster I have right now, I would have the same difficulty in rebuilding a 1,500-square-foot home. It would seem no matter where you are in this country now, if you try to rebuild a standard-sized home, if you were in the median income range, and had the standard type of mortgage—the mortgage rates are too high, and there is too little money available.

If the Buck fund were not at hand to assist, I would have to walk away from that mortgage.

Mr. MITCHELL. May I interrupt you just a moment? You twice mentioned the Buck fund.

Mr. GAYNOR. The San Francisco Foundation. They are a nonprofit organization. A certain individual who formerly lived in Marin County died and left a rather large estate to be administered by the San Francisco Foundation, and to be spent in various ways consistent with the intent of the trust, to help individuals in disasters, and to help some civic groups.

The thrust of the Buck fund's help isn't to take the place of Government—though they have had a tremendous impact in assisting, for instance, Marin County with some of its rebuilding efforts.

They have contributed millions in that behalf. But the San Francisco Foundation has agreed to finance my geotechnical survey. That may approach $4,000. They have agreed to extend to me outright grants up to $15,000 to repair my lot to the point that the county will approve a structure being built upon it.

Without their assistance, even in spite of my income and the size house that I want to build, having an average size outstanding mortgage that I have had to deal with, there would not be any way to rebuild. It is that simple. And I can equate my situation, because of the small house size, with that in Anadarko, Okla.; Shreveport, La.—anywhere.

The rate is too high, and there is too little money. I doubt there is another county in the country that would have the kind of assistance that a few of us will be able to receive from the San Francisco Foundation via the Buck fund.

I still don't know the outcome of my total experience with the SBA. I would hope when my application goes to them—it will be mailed off again tonight, restating my reasons for again requesting the loan—that it will be approved.

Mr. **MITCHELL**. It appears that SBA has acted in a proper and timely fashion in your case.

Mr. **GAYNOR**. I have no criticism as to the timely fashion and the personal contacts. It is just the administrative limits. I will be taking on a 25-percent larger debt service, and, of course, the county has lost a tax base from me. My property taxes have been reduced 90 percent because of the loss of the house and the damage to the lot.

There are some housing expenses incurred by the Government in housing my son and myself now. I really feel that the rates are just simply too high; there is too little money.

I found out something that was very odd and really dismayed me. If I had not been living in my home, if I had rented—if I had been renting a home, and had someone else renting my own home, not that I own two homes—but if I had been traveling and rented my place out, or if I had been renting somewhere else and letting someone live in my own home, then if it were damaged, I would qualify as a small business and could have gotten a loan for any amount, a half a million dollars, $80,000, $90,000, $200,000. And that is such an irony. It just seems absurd.

But I am more fortunate than some of my neighbors. I do have a lot of damage. I do have a considerable mortgage, and unfortunately, most of it I have to pay off. I was only successful in discounting about 10 percent of it. Some people have had more luck; some less. But some of my neighbors, as is characteristic of mudslides, have lost their lots entirely.

It is not a matter of spending $10,000 to repair a lot. And that is where a mudslide disaster is more unique than some other types. I have lived through Hurricane Camille in Louisiana, in the late 1960's, where we had 230-mile-an-hour winds and everything on the surface of the ground was in bad shape. But at least you had a lot to build on when it was over. But some people here simply don't have a lot in existence any more.

What was a gentle slope became a cliff and just fell away. So those people not only look at money to rebuild—even a modest home, 1,200- or 1,300-square-foot home—they are looking at a national average mortgage balance of $40,000, $50,000; they are looking at moneys to buy a new lot as well.

I would think that if you increase the amounts—if you doubled the amounts, and halved the interest rates—well, certainly it would benefit a heck of a lot more people, but at least the interest rates and the mortgage amounts would not be in such an absurd range.

Again, my situation is de minimis. But there again, I am an average taxpayer, an average wage-earner; I had an average mortgage balance. So I am not just unique to the Bay area or to the San Francisco experience.

I thank you for your time, sir.

Mr. **Mitchell.** I thank you.

Mr. Robbins?

TESTIMONY OF JOHN H. ROBBINS, POINT REYES STATION, CALIF.

Mr. **Robbins.** Mr. Chairman, this winter, my wife, son, and I were confronted with a catastrophe. Our home in Inverness was battered and destroyed by the massive force of trees loosened by the rains, crashing down on the house.

Our property at the base of the Inverness Ridge was then swept clean of all signs of human habitation by one of the longest slides in North America.

By God's grace, we narrowly escaped sure death, managing to extract ourselves from the wreckage of our home before this massive wall of liquefied granite came down and wiped it clean.

Helplessly, I watched from the hillside as our treasured heirlooms, my wife's entire collection of art which she has created, all of our worldly possessions, were utterly and completely destroyed.

After this miraculous escape, we were faced with the numbing realization that we had lost everything. The twisted remnants of our home were spread in an ugly swath across the marsh.

In the days immediately following this tragic event, our dear friends and neighbors, the Salvation Army, the Red Cross, came to our aid, gave us food, clothing, and shelter from which we could start rebuilding our lives.

The help they gave us so freely is something that really brings tears to my eyes every time I think about it.

In the days that followed this horrible storm, we have had to face some enormous uncertainties. The paramount one is, how are we going to rebuild our home?

We turned first to the Farmers Insurance Co., the writers of a policy on our house. Because we had lost all of our records, we didn't even have a copy of the policy, so we requested they send us a copy. And after many weeks without any response from them, we finally had to retain an attorney, just to get a copy of the policy.

So I think you can see that we are going to have to make a very strong and no doubt lengthy fight to recover on this policy that we have been paying for all these years.

I realize insurance practices are not really the focus of this hearing; however, it just seems evident to me most large insurance companies are not living up to what most homeowners believe is the intent of their policies, namely, coverage against loss of their home. When disastrous events do occur, many people are intimidated by the claims adjusters into believing they are not covered.

The insurance companies walk away, counting their money, and in comes the SBA, having to make loans, to try to help these people out. So perhaps it is relevant that maybe not this committee, but then again maybe this committee, would be the right one to investigate some of the procedures of the insurance industry as it is relevant to these disaster areas.

Now, to turn more directly to the issues under consideration by this committee, when we found out that our community had been declared a disaster area by President Reagan, our hopes were buoyed quite a bit. Believe me, this potential assistance went a long way toward preserving our mental and emotional balance.

In fact, I felt a certain sense of euphoria in that Uncle Sam was coming to our aid. However, that has been tempered a good deal when we came to understand specifically the terms and the limits of this Federal assistance.

We are a family of modest means. Our losses, between $250,000 and $300,000, represent just about 98 percent of all the assets that we have accumulated over our lives. And one can readily see that a loan for $55,000 for rebuilding a house, and up to $50,000 for relocating onto a new piece of property, does not begin to cover our losses.

In addition, an interest rate of 8 percent, which I feel we will probably be qualified for, even that rate is going to put an enormous strain on my ability to repay.

Now, it is self-evident that I strongly support a reduction in the interest rates. If these rates are rolled back to a 3-percent level, our payments would be reduced to a level that is commensurate with my income. It makes good sense to me if we are going to have a disaster assistance program, it should be one that allows those who need its help to be able to rebuild their lives without placing overwhelming financial burdens on them.

Now, we hear a good deal these days about the need to cut back on Government spending; that we all have to tighten our belts to help out, the way this economy is going.

Well, such rhetoric as this really is just so much garbage to my ears. If we take a moment to stop and reflect, it doesn't take long to realize the hypocrisy of such calls for sacrifice.

The present administration came into office promising a balanced budget in 1982. Here we are in 1982 looking at a deficit of $100 to $125 billion—the largest, I think, in our history.

We had a tax cut that was enacted. It has increased my income about $12 a month, while allowing some huge corporations to go untaxed, because they can buy credits from other companies that are able to show a loss for the year.

Billions of dollars have been added to the defense budget in some futile hope to gain greater national security by buying even bigger nuclear arsenals, more complex delivery systems for death.

We are told that more megatons make for more security. Really, this is pretty absurd. There already exists enough radioactive material to destroy the planet several times over. If the missiles start flying, whatever is left isn't going to be recognizable as a civilization, whether it be Soviet or American.

The point I am trying to make is that we are squandering our wealth. We must stop this insane foolishness. We have enough nuclear devices. MX's, B-1 bombers, Trident submarines. All this is going to do is provide us some momentary illusions of security, because the enemy will just create systems to foil what we build.

Here we sit today, having hearings on whether 8 percent or 3 percent should be the amount charged to people who have been wiped out—should they get $50,000 or $100,000 to try to rebuild their lives?

It really is tragic that such hearings have to be held at all. I wish the folks who initiated Public Law 97-35 that brought these changes about and saw to its enactment, could spend a few days out in the mud flats with me, digging through our family sadness and heartbreak. Perhaps that would raise the level of their compassion to a point where they just might find room somewhere in this gargantuan Federal budget just to increase the amount of moneys available for disaster loans, to more favorable 3-percent interest rates. This certainly would make it a little easier for people in situations similar to ours, to get their lives back together.

So I thank you for the opportunity to make this statement today.

Mr. MITCHELL. It is just the other way around. We should be thankful to you.

It may be beyond the scope of this committee, but I made a commitment a long time ago I would try to get the priorities of this Nation straight. There is no way in the world that any component of an MX is more important than helping you and others to rebuild your lives.

A very eloquent and moving statement. I thank you.

Mr. ROBBINS. Thank you, sir. I just hope there are enough people in this Government of ours of a mind such as yours. With that kind of mindset, we might be able to accomplish something in this country, instead of the crazy circles we are going around in right now.

Mr. MITCHELL. Thank you, sir.

Mr. Foote?

TESTIMONY OF HOWARD FOOTE, INVERNESS, CALIF.

Mr. FOOTE. Thank you, Mr. Chairman.

I am an artist and teacher, teaching at two colleges in the Bay area.

My wife became self-employed approximately 6 months ago. In 1973, we bought a small house and began adding onto it, eventually tripling its size. Since we did much of the work ourselves, we ended up with a house we could not possibly afford in today's market. Because of the amenities of the Inverness area, though, this was the house we hoped to spend the rest of our lives in.

As a result of the storm, we are left with a severely damaged house and land that is dangerous to live on.

Upon examination by three different soil engineers, we found that the problems are such that to save the house or portions of it could be enormously expensive, but we still would not be protected completely from possible future damage.

At this point, we are forced to begin looking for another piece of property. We are renting a house temporarily.

We are eligible for an SBA loan. We actually have the papers now ready to sign. But at 8-percent interest our monthly mortgage payments would double.

In addition, the amount of the SBA loan was based on preliminary figures that have now escalated due to the findings of the engineers.

The SBA has indicated we could also have a loan for relocation, but they would not grant us the same amount as for rebuilding.

I have yet to find out why we would not receive as much for relocation.

Whether we can find some magic solution to the problems of our present property, or we buy new property, we are faced with monthly payments which I am afraid will be impossible to maintain.

Thank you.

Mr. MITCHELL. What would your monthly payments be?

Mr. FOOTE. Based on the original amount we requested, they would be about $350. My present mortgage payment is $355.

Mr. MITCHELL. Which is $700 right there.

Mr. FOOTE. Yes.

But, like I said, the figure for rebuilding our house, if we could stay there now, I think is more likely around $100,000.

Mr. MITCHELL. And even at 8 percent, that would be prohibitive.

Mr. FOOTE. Yes; definitely.

Mr. MITCHELL. I am curious. What is the reason for a lesser amount for relocation? Does any of the staff know? The witness testified that SBA would give a figure if he wanted to rebuild, but a lesser figure for relocation.

Does anyone know why that is true?

We will try to find out.

That was from the disaster center you got that word?

Mr. FOOTE. Right. The SBA office in Sacramento.

Mr. MITCHELL. It just doesn't seem right. But let us check into it.

Thank you very much, Mr. Foote.

I want to take time at the end to thank all of the witnesses who have been here. One of the most difficult problems that I have confronted in the Congress is to go out to the people and hear from them, but not have the other Members of Congress, who should be hearing from them, with me. That is a major difficulty.

I know many Members of Congress have other commitments, and are working in their districts. But it is one thing when we sit at the full committee and someone makes a motion that we put a ceiling of $55,000 on a home hit by a disaster.

It is quite another thing to come out and hear from human beings. All I can do is assure you, as often as I can, and as eloquently as I can, I am going to be pushing this. We have to redesign the disaster loan program. We have to at least put it back on the same basis on which it existed before. You have certainly given me a lot of information and a lot of assistance.

Thank you very, very much.

Our hearing stands recessed.

[Whereupon, at 11:30 a.m., the committee adjourned, to reconvene at 2 p.m. this same day, in Santa Cruz, Calif.]

SMALL BUSINESS ADMINISTRATION DISASTER ASSISTANCE PROGRAMS

THURSDAY, APRIL 8, 1982

House of Representatives,
Committee on Small Business,
Santa Cruz, Calif.

The committee met, pursuant to notice, at 2 p.m., in the supervisors' chambers, Santa Cruz County Building, Santa Cruz, Calif., Hon. Parren J. Mitchell (chairman of the committee) presiding.

OPENING STATEMENT OF CHAIRMAN MITCHELL

Mr. Mitchell. Good afternoon.

Our hearing will now come to order.

This afternoon the Committee on Small Business will conduct the second of a series of hearings examining the Small Business Administration's disaster assistance programs and the effects of recent changes to those programs.

Since its inception in 1953, SBA has been the principal Federal agency providing long-term financial assistance to victims of natural and economic disasters. During this time, SBA has approved more than 880,000 loans for more than $10.5 billion to homeowners, businesses, nonprofit institutions and others who have suffered the unforeseen and devastating effects of flooding, mudslides, earthquakes, tornadoes, hurricanes, blizzards, fires, droughts, volcanoes, and other disasters.

No one expects a disaster, until it happens. Disasters can and do occur without warning almost anywhere. In fact, during the last 5 years, no State in the Union has been spared at least one disaster. Most States have been struck repeatedly. California in particular has had more than its share of disaster experience over the years.

Since 1971, more than 130,000 loans for over $985 million have been approved by SBA to help California disaster victims in their long-term recovery. The loans approved in the wake of the recent mudslides and flooding in Santa Cruz County and the Bay area will push this total well above $1 billion. SBA has received 4,868 loan applications as a result of this disaster, and so far more than 700 have been approved for over $10.2 million.

The intent of Congress in establishing and maintaining SBA's disaster loan programs is twofold: First, to assist individuals and businesses by financing the repair or replacement of disaster-damaged property or the working capital needs of a business suffering severe economic injury, and second, to assist the community as a

96-737 O—82——4

whole by providing for the restoration of jobs, services, business revenues, and taxes.

Also, the new dollars which SBA disaster loans inject into the local economies of disaster stricken communities are spent many times over, thus further contributing to the economic health of the community and long-term recovery.

The committee is examining whether the recent changes made in SBA's disaster loan programs may have compromised their effectiveness and the original congressional intent of providing a compassionate helping hand to disaster victims in their time of need. These changes began in March 1981, when the administration, without prior notice or consultation with the committee, suspended all disaster assistance to businesses with alternative sources of financing, even though that financing was then in excess of 22 percent; limited disaster assistance to those businesses still eligible to 60 percent of their losses; and increased the amount of damage necessary to trigger Federal disaster assistance. The first two of these actions have since been overturned by legislation.

At the same time, the administration requested legislation which would have eliminated all assistance to those disaster victims who had personal resources or alternative sources of financing and which would have increased the interest rates to both homeowners and businesses without alternative sources of credit to a formula rate which for this disaster would be approximately 16 percent.

Although the House rejected this proposal, the Senate approved the administration's request. The current terms of SBA's disaster loan program are a result of a compromise between the House and Senate on this difference. The terrible mudslides and flooding in Santa Cruz County and the San Francisco Bay Area represent the first major disaster in which these new terms have been in effect. Prior to the enactment of the compromise legislation on August 13, 1981, the interest rate on all loans to repair or replace primary homes or personal property was 3 percent. The interest rate for businesses without alternative financing was 5 percent; other businesses paid a formula rate, now approximately 16 percent, and were not limited to the 3-year maximum term now in effect for businesses with alternative sources of financing. Also, prior to last August, disaster business loans were not limited to 85 percent of losses.

Today we will hear from victims of the recent mudslides and flooding in Santa Cruz County about their experience in the disaster, and particularly with reference to Federal assistance efforts since then.

I am very, very pleased to have with us Representative Leon Panetta. I am just delighted you could be here with us. I am going to ask you to make a statement.

I don't know of any man who works harder in the Congress, particularly on the Budget Committee. I worry about it sometimes, because you cannot go 18 hours a day every day. He has been a most effective Member of Congress across the board. In his work on the House Budget Committee, on which I formerly served, he has just been highly exemplary.

TESTIMONY OF HON. LEON E. PANETTA, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA

Mr. PANETTA. Thank you very much, Mr. Chairman.

First of all, I want to express my deep thanks to Chairman Mitchell for bringing the Small Business Committee here to Santa Cruz to see firsthand the problems and concerns of people as they were impacted by this disaster.

I might say, although they call these working recesses, many of our colleagues make use of this time to get away, and some even get trips to the Caribbean. But Parren Mitchell and others are spending a lot of time trying to deal with the concerns that impact on people. Parren did not have to come down to Santa Cruz, and could have held the main hearing in San Francisco. At my urging, and I think his own willingness to see the problems firsthand, he was willing to come down to Santa Cruz to have the hearing here.

So for that, I thank him. There is no one who really has the compassion or concern that this gentleman does in terms of people. I thank him for coming here.

As you will find out, last January, Santa Cruz County suffered one of its worst natural disasters in its history. The flooding and mudslides took many lives, and destroyed businesses and homes. As a result of that, we have had a number of people who have been impacted very seriously in terms of their livelihoods, their homes, and obviously when lives were lost, there is no way that anybody can help restore that loss.

Property loss that has taken place in this county is, we anticipate, somewhere between $13 million to $20 million. It is, needless to say, going to take very many years before we are able to restore the county back to normal.

Although the Federal Government has made a determined effort to respond to many people who are in need of food and shelter and other vital assistance—and indeed I think officials at every level deserve commendation for the efforts they put into trying to assist people—I think the purpose of a hearing like this is not only to look at that side, but also to look particularly at the problems that were involved. We did have problems in this area—administrative overlaps, regulatory mandates, and a lot of redtape—that impacted on the critical need for emergency assistance.

The best thing I can indicate to you, Mr. Chairman, is that very early, while the flood itself was going on, while the disaster was striking, we were asked to see if we could possibly provide generators because all of the electricity had gone out in this area, and the water mains had been cut off. We were called to provide emergency generator operation for the jails, for the morgue, and for hospitals in this area that desperately needed it.

We have nearby the Fort Ord military installation. I called down there, and they had the generators available. But in order to get those generators here, they said, although they were willing to provide them, first we had to get clearance from the 6th Army in San Francisco, and the 6th Army told us we needed clearance from the Office of Emergency Services. We went to all of those. The Office of Emergency Services said, "You cannot really have the generators until you have exhausted local resources, and we understand there are some generators available from Fresno that could be made available."

I said, "I could probably get the generators from Chicago, but I need them now."

It was only after a number of hours of conversation, and finally a conference called between all of those representatives—the 6th Army commander, the head of OES, and we were on the phone. It was after I said something like, "If we are having problems here, what the hell will happen to us in the event of a war," that they were then willing to release the generators to bring them up here.

But to go through that kind of process at a time when there is real need, I think, points out unless you can provide assistance that is direct, adequate, and immediate, one begins to question why we have disaster laws to begin with.

Specifically in the area of the Small Business Administration, and again I want to express our commendation to the people in that area who work with the SBA, who have been very cooperative and really have been very willing to meet with people and try to provide help, that they too have their hands tied by some of the requirements that you just mentioned.

The initial indication is that a lot of help will be available at low interest rates. Then when you finally find out that the low interest rates could be as high as 15 or 16 percent, and that the maximum amount that you can get to try to replace your loss is $50,000 or $55,000, when the average cost of a home in this area is $100,000 to $120,000, and obviously the average business in this area has an inventory well over that amount, ranking up to $500,000, to close to $1 million in some instances, there is just no way that that assistance can even come close to getting people off the ground and getting them back into their livelihoods and back into their homes.

So while I understand, obviously, by virtue of my position on the Budget Committee, the need for limits to disaster assistance, one has to also question whether disaster assistance does anything to help people if it does not provide immediate and direct help.

There I think once we have made the basic policy decision at the Federal level that assistance ought to be provided to people in disasters, and that they ought to be made as whole as possible, then I think that changes need to be made. It was for that reason that I joined with Congressman Burton introducing legislation to change the maximum amount of a loan from the current $50,000 or $55,000 to $300,000 for an individual, and $500,000 for a business, and tried to keep that interest rate at 3 percent, in order to try to provide some direct help.

I might say that another thing I would mention to you, Mr. Chairman, is that in this area what we have assembled is a task force at the Federal, State, and local level, made up of Federal, State, and local officials.

We meet every Friday to try to go over problems in terms of disaster assistance to insure there is coordination at those various levels and that we can respond to the needs as they occur.

I think something like this may very well be essential for the law, because of the problems I see in the ability to coordinate various levels. What tends to happen is that everybody protects their own turf, and the consequence is that instead of reaching out and really trying to coordinate help, everybody wants to make sure their own rear ends are protected in one way or the other, so they will try to blame others as quickly as they can for any problems they are involved with. The end result is that while everybody is trying to protect their own image and worrying about the audits down the line, nobody is focusing on how you deliver help to people at that point; that, I think, needs to be addressed by the committee.

In summary, as I said, victims I think must be provided the opportunity to get back on their feet.

I want to thank you and the committee for taking the time to come here and listen to these individuals, because I think by doing that we will indeed in the Congress be able to provide the kind of help that really is necessary.

Thank you, Mr. Chairman.

[The prepared statement of Congressman Panetta follows:]

PREPARED STATEMENT OF HON. LEON E. PANETTA, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA

I want to thank the committee for holding these hearings today to consider the problems encountered in the administration of the Small Business Administration emergency assistance programs to the victims of the disaster suffered in California last January. I commend the committee for its sincere effort and concern regarding the problems we have been facing in California, and I appreciate the opportunity to present testimony on behalf of my constituents in the 16th District.

Last January, Santa Cruz County suffered one of its worst natural disasters in history. Disastrous flooding and mudslides took the lives of 10 Santa Cruz County residents and destroyed the homes and businesses of many more. In addition to the hundreds of families that were temporarily displaced by the flooding, a number of residents have been forced to immediately evacuate homes, which, although still intact, have been determined to be unsafe for human habitation because of the serious risk of future mudslides and damage. Property loss in the county has been estimated as high as $13 million. It is needless to say that it will take many years for the lives of the residents of this county to return to normal. For those who have lost loved ones and all of their belongings, their lives may never be the same.

Although the Federal Government has made a determined effort to respond to the many people in desperate need of food, shelter, and other vital assistance, those efforts have not always been successful in providing adequate relief. Administrative overlaps and regulatory mandates have created bottlenecks in providing critically needed emergency assistance. For example, it took direct intervention by my office to provide essential power generators from Fort Ord to support vital services. In addition, necessary supplies of sandbags, equipment and water were delayed by requirements that local resources be exhausted first. Certainly, if relief is to be effective, it must be direct, adequate and immediate.

Another problem exists with the disaster loans being provided by the Small Business Administration. These loans, though helpful have often proved inadequate to meet the tremendous destruction of property and financial losses suffered by our residents.

Low interest loans to individuals and small businesses, for instance, have turned out to be high interest loans for many recipients. Also, the maximum amounts being offered on these loans are often extremely inadequate to provide real and meaningful financial assistance to the many families faced with the prospect of permanent relocation with few or no remaining personal belongings. Finally, although loan money has been offered, the actual funds have been very slow in arriving to many loan recipients.

While I understand that there must be limits to disaster assistance, as in other Federal programs, resources must be provided to reduce the economic devastation of these disaster victims. To help meet this need, I have cosponsored legislation to increase the maximum amounts on Small Business Administration disaster loans to individuals and small businesses and reduce the interest rates charged. For individuals, the maximum loan amount would be $300,000 at an interest rate of 3 percent. The legislation would also require that existing flood insurance coverage apply to mudslide damage both retroactively and in the future. I am also looking at the possibility of special relief for the families who will be permanently dislocated by the mudslide in the Love Creek area.

In the interim, I am working with Federal, State, and local officials on an intergovernmental task force that meets regularly to ensure that progress is being made in providing needed relief.

In summary, when disaster strikes, victims must be provided the opportunity to get back on their feet. Again, I thank the committee for your attention to the concerns being presented before you today. I urge your support in providing these disaster victims the assistance they need to put their lives back in order.

Mr. MITCHELL. Thank you very much. Indeed I am delighted to hear about the formation of that task force. This is precisely what I suggested when we were up in San Francisco this morning. You need some method of coordinating all the activity.

I must confess I did not see evidence of it in the San Francisco area. Perhaps it is there.

To my immediate right is Mr. Tom Powers, the general counsel for the Small Business Committee. To my far right, Mr. Joe Sobota, who is the disaster specialist on the House Small Business Committee. To my far left, Mr. Steve Blackistone, the assistant minority counsel for the House Small Business Committee.

I am very delighted that members of the board of supervisors and the chairperson are able to be with us to make up our first panel. I would ask them to come up.

Ms. Robley Levy, the chairperson of the Santa Cruz County Board of Supervisors, Mr. Dan Forbus, supervisor of the First District, Santa Cruz County; and Mr. Joe Cucchiara, supervisor of the Fifth District, Santa Cruz County.

PANEL CONSISTING OF ROBLEY LEVY, JOE CUCCHIARA, AND DAN FORBUS

We thank you very much for taking time from your busy schedules to be with us. We have copies of some testimony. I would like to recommend that, if you have prepared copies of your testimony, they would be submitted in their entirety for the record. If you will just touch on the salient points in your testimony, it will enable us to raise more questions, which is the whole purpose of this hearing. I do have one copy from Mr. Cucchiara. It will be submitted for the record. Do you have a copy of your testimony?

Ms. LEVY. I will have copies available to you very shortly. I have a copy here to speak from.

Mr. MITCHELL. All right. When it is received, it, too, will be submitted for the record in its entirety. Thank you very much. Would you lead off, please.

TESTIMONY OF ROBLEY LEVY, CHAIRPERSON, BOARD OF SUPERVISORS, SANTA CRUZ COUNTY, CALIF.

Ms. LEVY. Thank you very much, Mr. Chairman.

I am indeed the chairperson of the board of supervisors. I want to express my thanks to Congressman Panetta for asking the Committee on Small Business to meet and hold this hearing in Santa Cruz, and my thanks also to the members of the committee, and to the chairman, for the courtesy of holding this hearing here in Santa Cruz County.

I would just like to say having spent a number of years in Maryland myself, it is a pleasure to welcome the chairman from Maryland.

January 4, 1982, was the day when disaster struck in Santa Cruz County. Our county suffered enormous damage, the loss of 20 lives at Love Creek, destruction of homes, businesses, and loss of personal property due to the storm's effects, the mudslides, washouts, and flooding rivers and creeks.

The damage estimates stand at more than $100 million; of that some $50 million was estimated as the private losses, those losses that can be calculated in dollars. It cannot, of course, reach or touch the personal tragedies that were caused by the storm. The public damage estimates exceed $50 million for the county of Santa Cruz and the cities and public agencies within Santa Cruz. Our road network, and our drainage facilities were devastated.

I am briefly discussing the extent of damage here because I believe it bears on a central issue of the Federal Government's response to disasters—this disaster here in Santa Cruz County and those that occur across the country.

That issue is: What is the nature of a disaster? By definition it is an extraordinary occurrence that creates problems beyond the reach of normal methods, of normally available resources. It calls for a response in kind, a response that acknowledges that we are not dealing with business as usual, that the resources that are required must bear some relation to this extraordinary need.

You have asked for testimony concerning Federal disaster assistance programs and the disaster loan program offered by the Small Business Administration. I believe that the question of appropriate response to an extraordinary occurrence is at the heart of the major problems Santa Cruz County residents have had in experiences with the SBA loan program in particular.

To offer loans at commercial rates to individuals who have lost everything is, I believe, an inappropriate and inadequate response, and Santa Cruz County residents were shocked at this aspect of the Federal program.

Indeed, many citizens did not apply for help because they felt unable to carry loans at these rates or at the possible 8-percent rate. This is the cost accountant's response to disaster. It marks a program that is measured not in terms of need, the basic interest of the program—to fill the need of those struck by disaster, but a program measured by bureaucratic protection—a program to minimize the costs and maximize the revenues to the agency.

I believe that disaster assistance is intended to do just that: to aid citizens struck by disaster. It must be done fairly and equitably. The Federal Government, as all governments, must be responsible in the funding of programs, but it must also respond to need, or else legislation is pointless. Balancing the Federal budget on the backs of disaster victims appears to me to be a wrongheaded, mean spirited, inequitable, and unjust approach.

In Santa Cruz we recognized that the disaster struck on January 4, 1982. We did not understand that a forerunner of disaster struck on August 13, 1981, when administrative increases in SBA loan rates were approved that would double the January disaster's blow to our citizens.

I believe that the administrative increase of interest on disaster loans from 3- to a 16-plus percent rate was just such a wrongheaded and mean spirited approach: cost cutting was the administrative intent, not fulfilling the legislative intent to help disaster victims.

I would strongly recommend that the committee recommend legislation requiring a return to the low interest, 3 percent loans that were offered prior to August 13, 1981. Further, I strongly urge that this retreat from punitive interest rates for disaster loans be made retroactive. The citizens here in Santa Cruz who have suffered from the storms, the citizens in Fort Wayne, Ind., who have suffered from major flooding, indeed citizens across this county who are struck by disaster have, I believe, the right to reasonable and adequate assistance from the Federal Government in time of disaster.

I believe it is your committee's intent to insure just that response, a reduction of the interest rates on SBA loans and making that reduction retroactive would accomplish that intent.

Speaking more generally of problems with the Federal disaster response, and SBA in particular, several points should be mentioned. To insure effective operation of a program, it must be fairly framed; and the issue of interest rates on loans goes to that. It must be fully presented to the public so that they can borrow and take advantage of it. It must be administered according to reasonable, and clearly understood guidelines.

I am sure the SBA would agree with that as outlined, and indeed, would probably state that that is just the way it has been handled here. There is, however, a generally prevailing adverse view when you talk with people who have had contact with the program. What I am going to relate now springs from the perceptions of ordinary people who have become involved with the program in Santa Cruz County.

The perceptions include a belief that 16 percent loans are all that is available, all that one can qualify for and, therefore, people were discouraged from pursuing them.

There is a sense that if the Government is offering bank rate loans, there is no advantage, and no real help. This perception—a basic misunderstanding SBA would say—should have been effectively countered with public information. It is my belief that the approach to public information was a case of too little, too late.

Another perception—misperception—was that people were required to be rejected by commercial banks prior to qualifying for SBA loans. This was a very prevalent misconception; again an issue of public information.

Another perception of citizens was that information on the rules governing SBA's approach were not available, or if available, resembled to some extent shifting sand. Whether this is a result of poor inservice training or the agency shifting the rules is not clear. Certainly the county's experience in seeking a determination on the eligibility of Love Creek residents for aid has been a clear example of the difficulty in getting timely and secure agency response.

An example of citizens coping with changing rules by SBA was a local road association's attempt to gain loan funds. They designated a representative to find out what to do. He went to the FEMA center the week after the disaster, and was given applications for everyone in the association to fill out individually, and told all should file together as an association.

He was later told no, you should file for the association and give the name of the road association and your assets as an association. You don't need to file individual information. Don't bother with an estimate on the job.

The residents wonder, how can the SBA judge whether they are qualified with no individual material on file? How can the appropriateness of the loan be reviewed with no estimates? It is now 3 months after the January disaster, and no information is available on the loan. They wonder what will be the response?

To return to the heart of the matter today, I would like to reiterate my belief that the citizens of the United States deserve adequate and immediate response from the Federal Government in time of disasters. The response must be measured to the need, and not against a cost accountant's slide rule.

I urge your committee to adopt the proposals forwarded by Congressman Panetta, for a return to the 3 percent SBA loan and that that return should be retroactive to January 1, 1982.

Thank you for the opportunity of testifying before you today.

Mr. MITCHELL. We thank you for your testimony.

[The prepared statement of Ms. Levy follows:]

PREPARED STATEMENT OF ROBLEY LEVY, CHAIRPERSON, BOARD OF SUPERVISORS, SANTA CRUZ COUNTY

I am Robley Levy, chairman of the board of supervisors of Santa Cruz County. I would like to express my thanks to Congressman Panetta for asking the Committee on Small Business to meet and hold this hearing in Santa Cruz, and my thanks also to the members of the committee for your courtesy in holding this hearing here in Santa Cruz County.

January 4, 1982 was the day when disaster struck in Santa Cruz County. Our county suffered enormous damage: Loss of twenty lives at Love Creek, destruction of homes, business and loss of personal property due to the storms effects—the mud slides, washouts and flooding rivers and creeks. The damage estimates stand at more than $100 million. Of that, some $50 million was estimated as the private losses—those losses that can be calculated in dollars. It cannot, of course, reach or touch the personal tragedies that were caused by the storm. The public damage estimates exceed $50 million for the county of Santa Cruz and the cities and public agencies within Santa Cruz. Our road network and our drainage facilities were devastated.

I am briefly discussing the extent of damage here because I believe it bears on a central issue in the Federal Government's response to disasters—this disaster here in Santa Cruz County and the disasters that occur across the country. That issue is: What is the nature of a disaster? By definition it is an extraordinary occurrence that creates problems beyond the reach of normal methods, of normally available resources. And it calls for a response in kind, a response that acknowledges that we are not dealing with business as usual, that the resources that are required must bear some relation to this extraordinary need.

You have asked for testimony concerning Federal disaster assistance programs and the disaster loan program offered by the Small Business Administration. I believe that the question of appropriate response to an extraordinary occurrence is at the heart of the major problems Santa Cruz County residents have had in experiences with the SBA loan program in particular.

To offer loans at commercial rates to individuals who have lost everthing is, I believe an inappropriate and inadequate response, and Santa Cruz County residents were shocked at this aspect of the Federal program. Indeed, many citizens did not apply for help because they felt unable to carry loans at these rates or at the possible 8 percent rate. This is the cost accountant's response to disaster. It marks a program that is measured not in terms of need, of the basic interest of the program—to fill the need of those struck by disaster, but a program measured by bureaucratic protection—minimize the costs and maximize the revenues to the agency.

I believe that disaster assistance is intended to do just that—to aid citizens struck by disaster. It must be done fairly and equitably. The Federal Government, as all governments, must be responsible in funding of programs, but it must also respond to need—or else legislation is pointless. Balancing the Federal budget on the backs of disaster victims appears to me to be a wrongheaded, mean spirited, inequitable, and unjust approach.

In Santa Cruz we recognized the disaster that struck was on January 4, 1982. We did not understand that a forerunner of disaster struck on August 13, 1981 when administrative increases of SBA loan rates were approved that would double the January disaster's blow to our citizens.

I believe that the administrative increase of interest on disaster loans from 3 percent to 16 plus percent rate was just such a wrongheaded and mean spirited approach—cost cutting was the administrative intent, not fulfilling the legislative intent to help disaster victims.

I would strongly recommend that the committee recommend legislation requiring a return to the low interest, such as the 3 percent loans that were offered prior to August 13, 1981. Further, I strongly urge that this retreat from the punitive interest rates for disaster loans be made retroactive. The citizens here in Santa Cruz who have suffered from the storms, the citizens in Fort Wayne, Indiana who have suffered from major flooding, indeed citizens across this country who are struck by disaster have, I believe, the right to reasonable and adequate assistance from the Federal Government in the time of disaster. I believe it is your committee's intent to ensure just that response. Reduction of the interest rates on SBA loans and making that reduction retroactive would accomplish that intent.

Speaking more generally of problems with the Federal disaster response and SBA in particular, several points should be mentioned. To ensure effective operation of a program, it must be fairly framed, and the issue of interest rates on loans goes to that. It must be fully presented to the public so that they can borrow and take advantage of it. And it must be administered according to reasonable and clearly understood guidelines.

I am sure the SBA would agree with that as outlined, and, indeed, would probably state that that is just the way it has been handled here. There is, however, a generally prevailing adverse view when you talk with people who have had contact with the program. What I am going to relate now springs from the perceptions of ordinary people who have become involved with the program in Santa Cruz County.

The perceptions range from a belief that 16 percent loans are all that is available, all that one can qualify for and, therefore, people were discouraged from pursuing them.

There is a sense that if the Government is offering bank rate loans there's no advantage, no real help. This perception—a basic misunderstanding SBA would say—should have been effectively countered with public information. It's my belief that the appoach to public information was a case of too little, too late.

Another perception—misperception—was that people were required to be rejected by commercial banks prior to qualifying for SBA loans. This was a very prevalent misconception, again an issue of public information.

Another perception of citizens was that information on the rules governing SBA's approach were not available, or if available, resembled to some extent shifting sand. Whether this is a result of poor inservice training or agency shifting of the rules is not clear. Certainly the county's experience in seeking a determination on the eligibility of Love Creek residents for aid has been a clear example of the difficulty in getting timely and secure agency response.

An example of citizens coping with changing SBA rules was a local road association's attempt to gain loan funds. They designated a representative to find out what to do. He went to the FEMA center the week after the disaster and was given applications for everyone in the association to fill out individually, and was told all should file together as an association. He was later told no, you should file for the association, give the name of the road association and the assets of the association. You don't need to file individual information. Don't bother with an estimate on the job. The residents wonder—how can the SBA judge whether they're qualified with no individual material on file? How can the appropriateness of the loan be reviewed with no estimates? It is now three months after the January disaster, and no information is available on the loan. They wonder, what will be the response?

To return to the heart of the matter today, I'd like to reiterate my belief that the citizens of the United States deserve adequate and immediate response from the Federal Government in the time of disasters. The response must be measured to the need and not against a cost accountant's slide rule. I urge your committee to adopt the proposals forwarded by Congressman Panetta, for a return to the 3 percent SBA loan and that that return should be retroactive to January 1, 1982.

Thank you for the opportunity of testifying before you today.

Mr. Mitchell. We would like to hear from Mr. Cucchiara now.

TESTIMONY OF JOE CUCCHIARA, FIFTH DISTRICT SUPERVISOR, SANTA CRUZ COUNTY, CALIF.

Mr. Cucchiara. Mr. Chairman and distinguished members of the committee, my name is Joe Cucchiara. I am a member of the board of supervisors for Santa Cruz County. I also was a board representative to the Interagency Disaster Task Force. I was raised in Silver Spring, Md.

Thank you for conducting field hearings in Santa Cruz County as part of your assessment of the changes made last year in the SBA disaster loan program.

As you know, our community has suffered severe widespread property damage and loss of life resulting from the January 4, 1982 storm, and subsequent storms which battered our community causing additional damage.

Your presence today gives us hope that the Congress remains concerned where the administration remains disinterested. Your presence also provides a unique opportunity for members to hear firsthand evidence that the statutory and regulatory changes made in the Small Business Administration disaster loan program in fact cause greater hardship than they relieve.

The statutory changes made by Public Law 97-35 in large part have made much needed disaster assistance unattainable for those who need it the most, and for whom the program was designed to assist some 50 years ago.

Poor and moderate income families, seniors on fixed incomes, small struggling businesses, and many young families are simply not going to be provided a chance to recover as a result of suffering through two disasters back to back: the storm, and the meager disaster relief offered through SBA assistance.

Statutory changes in SBA disaster loan programs such as increased market rate interest, limited terms for loans to businesses, restricting eligible losses to 85 percent of physical loss, and the credit elsewhere provision, have resulted in a program so narrowly defined that increasing numbers of individuals and small businesses are falling through the so-called safety net.

Regulatory changes in the program advanced by the current administration, such as making secondary homes ineligible for assistance, setting unrealistic maximum loan limits on homeowner loans, and severe restrictions on refinancing, have forced even greater numbers of those in need to fall through the safety net.

The combination of statutory and regulatory changes in the SBA program have conspired to result in a program which simply does not provide adequate and realistic relief when needed the most. The program resembles the attitudes of private insurance adjusters rather than legitimate Government assistance for people in critical financial need struggling to rebuild their families and businesses.

However, in the same way that existing Federal disaster assistance was gutted through legislative and regulatory changes, those same powers must come to bear to restore the program to its rightful role: immediate, realistic, and compassionate disaster aid. The time has come to bring the myth of Federal disaster relief into the world of reality, and more importantly, into the homes and local businesses destroyed each year throughout America.

In January 1982, Santa Cruz County, along with several other northern California counties, provided the Federal Government with its first real world test of the effectiveness of the newly amended SBA disaster relief program. The most recent disaster provided the first opportunity to evaluate whether or not 16 percent loans are affordable to victims ravaged by disaster, and in need of immediate financial assistance.

The evidence seems clear thus far that too many SBA loan applications were refused because people simply cannot afford a debt payment based on 16 percent interest. Additionally, people cannot afford the debt associated with the alternative 8-percent interest rate loan.

The most recent and highest 25 percent loan decline rate means that those with the greatest need not only receive no Federal disaster assistance, but are left with even greater economic instability and no hope for future recovery.

A high loan decline rate may make budget slashers in Washington happy, but it is a cynical approach to budget savings at the expense of America's disaster victims.

Exorbitantly high interest rates also create an illusion that the need is actually less than reality would dictate. When fewer people qualify for high interest rate loans, and individual and family grants are fixed at $5,000, the total budget expenditure for national disaster relief is reduced and the need for adequate Federal budget appropriations is diminished.

The current SBA disaster loan interest rates at their lowest are nearly 300 percent higher than rates prior to the amendments effective August 13, 1981. The lowest interest rate loans currently available are prohibitively expensive, especially for senior citizens, or anyone on a fixed income.

The rates are out of reach for most young homeowners who either received family assistance, built themselves, or purchased early in an attempt to enter the California housing market. The present rates make the fiscal burdens associated with a disaster a permanent economic fixture for most moderate and middle income individuals who have fought to keep up with crippling inflation over the past decade.

The current SBA interest rates must be reduced in order to broaden the scope of eligible individuals and households. The previous SBA rate of 3 percent offered more realistic disaster relief than current rates which merely perpetuate the effects of disaster forever into the future.

In addition to the rates, the loan limits are without question too low for areas such as northern California where average entry level housing starts conservatively at $110,000 per unit. The same home in the Midwest or other regions of the country would be as much as 30 percent less expensive. Similarly, the cost of repair and reconstruction is proportionately higher in northern California than elsewhere.

Whereas a loan limit of $50,000 may serve the needs of a few people in other regions of the country, such a limit is inadequate for the Nation as a whole, and is clearly too low for this area.

With conventional reconstruction costs averaging between $50 to $70 per square foot, it takes little damage to reach either the maximum loan limit or the maximum affordable loan when coupled with astronomically high interest rates.

Whenever damage results in a total loss of both land and structure, as was far too often the case in Santa Cruz, the maximum SBA loan available is insufficient to purchase both home and land.

Therefore, many victims are forced to abandon SBA assistance due to its inability to finance the complete relocation cost beyond SBA financing, thus making them ineligible for even partial funding or reconstruction.

At a minimum, the committee should review options for regionalizing loan limits to account for market differences in real estate and construction costs. More appropriately, however, the committee must move to increase by statute ceilings on loans which currently are held artificially low due to regulatory and administrative whimsy.

Linked to the issue of affordable loans and appropriate maximum loan limits is the need for a forgiveness provision. Prior legislation allowed forgiveness of the first $5,000 of SBA disaster loans, which in effect combined the loan and grant concept into a single instrument. Although an across-the-board increase and reinstatement of a forgiveness policy would perhaps be both politically and fiscally difficult, the reinstatement of a forgiveness provision evaluated case by case depending on need is essential to providing adequate relief. Such a policy would allow a greater number of individuals, such as retired and disabled seniors, to benefit from more complete disaster recovery when most needed.

The series of amendments to the SBA disaster loan program included in Public Law 97-35 has without question expanded the gap between the myth and the reality of disaster relief.

Higher interest rates, unrealistically low ceilings, gutting of forgiveness provisions, requirements for meeting the credit elsewhere test, each of these have torn such massive holes in the Federal safety net that the myth of relief no longer exists in Santa Cruz.

The small businesses and homeowners who form the backbone of our community are the present, past, and future hard working core of individuals who deserve more in their time of need than their country has provided thus far. They are people who earn a living, pay their taxes, raise their families, and contribute to their community in a variety of ways. They are not asking for a handout. They are asking for assistance from their Government to rebuild what was once theirs. The most recent amendments have created a disaster instead of relieving one. Adequate and timely disaster assistance is a good investment in the future of our Nation. Ignoring the need is to ignore this country's most valuable asset: its people and its taxpayers, who have already invested in our Nation's future.

After having worked with literally hundreds of constituents in need of disaster relief over the past 3 months, I urge the committee to seriously consider the following legislative amendments:

One, restore the previous low interest rates to Small Business Administration loans. The maximum interest rate must be no more than 3 percent per annum. This would still provide the Federal Government with a program of repayment and interest which differs greatly from the vast majority of Federal assistance programs which provide no return to the Federal Treasury whatsoever.

Two, the maximum loan limits for homeowners must be raised to a level which more accurately reflects the actual needs of disaster victims. A limit in the range of $200,000 to $300,000 would be more realistic.

Three, a forgiveness provision must be reinstated based on a case-by-case evaluation of economic hardship to insure eligibility for low and moderate income families, seniors, and anyone dependent on a fixed or low income.

Four, the credit elsewhere provision for homeowners must be eliminated, so as to minimize confusion, delay, and unnecessary redtape for applicants.

Five, allow SBA loans to businesses to cover 100 percent of physical losses, and lower the interest rate on disaster loans to businesses unable to obtain alternative financing to the previous 5 percent level.

Six, for businesses able to obtain credit elsewhere, the formula rate should relate to the Government's cost of borrowing instead of the commercial rate in effect on the day on which the disaster has taken place. In addition, provide for a 3-year graduation review, and if a business is unable to obtain alternative financing at that time allow the business to keep its Government loan with a graduation review every 2 years.

Seven, provide disaster assistance for the repair or replacement of any damage to secondary homes and their contents as well as recreational vehicles.

Eight, the SBA disaster loan program must be amended to further clarify the eligibility of loan funds to be used for private road repairs, and other onsite reconstruction costs. Currently the administration of the program for such purposes is ambiguous and misleading.

Nine, the period of eligibility from the time of the disaster to the close of application must be extended from the current 60 days to 120 days. Many people simply are too emotionally or physically distressed following a disaster to apply in a timely and coherent fashion within the short application period. An extension of an additional 60 days would provide a more realistic deadline for many individuals.

Ten, the entire application, processing and loan disbursement procedure should be streamlined and fast tracked to provide funds as quickly as possible. Not knowing whether or not you have qualified for your loan or when the funds will be disbursed increases the burden. Lengthy delays caused by changing information results in financial hardships beyond disaster-related problems.

Eleven, reinstate the former criteria for declaring a disaster, thus triggering SBA assistance by that used prior to March 19, 1981.

In addition, include a provision that allows for an extension of SBA assistance based on damage subsequent to the original incident but caused by cumulative impacts associated with the initial event.

For example, significant damage occurred in Santa Cruz following the close of the incident period. However, the damage resulted from extreme ground saturation associated with the original January and February storms, followed by heavy rains in late March. As yet there has been no determination of eligibility for affected property owners.

Twelve, and most importantly, these and any other amendments designed to assist disaster victims must take effect retroactive to January 1, 1982, to insure benefit to victims of this year's disasters in Santa Cruz County.

Mr. Mitchell, we in local government appreciate your presence here today, along with our Representative, Mr. Panetta, who has been tremendously helpful to storm victims and local government alike. Please take this simple message back to Washington. That message is: Without congressional action, many Americans will become permanent victims of the storms of 1982, and the SBA. Thank you for your attention this afternoon.

Mr. MITCHELL. Thank you for a very impassioned statement, and for some excellent recommendations. We had hoped to cover some of these shortcomings by putting in our bills. But there are some areas you brought up, areas of recommendation, that are not covered under either bill. So I am very grateful to you.

[The prepared statement of Mr. Cucchiara follows:]

PREPARED STATEMENT OF JOE CUCCHIARA, FIFTH DISTRICT SUPERVISOR, SANTA CRUZ COUNTY

Thank you for conducting field hearings in Santa Cruz County as part of your assessment of the changes made last year in the SBA disaster loan program. As you know, our community has suffered severe widespread property damage and life loss resulting from the January 4, 1982 storm and subsequent storms which battered our community causing additional damage.

Your presence today gives us hope that the Congress remains concerned where the administration remains disinterested. Your presence also provides a unique opportunity for members to hear firsthand evidence that the statutory and regulatory changes made to the Small Business Administration disaster loan program, in fact, cause greater hardship than they relieve.

The statutory changes made by Public Law 97-35, in large part, have made much needed disaster assistance unattainable for those who need it the most and for whom the program was designed to assist some 50 years ago. Poor and moderate income families, seniors on fixed incomes, small struggling businesses, and many young families are simply not going to be provided a chance to recover as a result of suffering through two disasters back-to-back—the storm and the meager disaster relief offered through SBA assistance. Statutory changes in the SBA disaster loan program such as increased market rate interest, limited terms for loans to businesses, restricting eligible losses to 85 percent of physical loss and the "credit elsewhere" provision have resulted in a program so narrowly defined that increasing numbers of individuals and small businesses are falling through the so-called "safety net."

Regulatory changes in the program, advanced by the current administration, such as making secondary homes ineligible for assistance, setting unrealistic maximum loan limits on homeowner loans, and severe restriction on refinancing, have forced even greater numbers of those in need to fall through the "safety net."

The combination of statutory and regulatory changes in the SBA program have conspired to result in a program which simply does not provide adequate and realistic disaster relief when needed the most. The program resembles the attitudes of private insurance adjusters rather than legitimate government assistance for people in critical financial need struggling to rebuild their families and businesses.

However, in the same way that existing Federal disaster assistance was gutted through legislative and regulatory changes, those same powers must come to bear to restore the program to its rightful role—immediate, realistic and compassionate disaster aid. The time has come to bring the TV myth of Federal disaster relief into the world of reality and more importantly into the homes and local businesses destroyed each year throughout America.

In January 1982, Santa Cruz County, along with several other northern California counties, provided the Federal Government with its first real world test of the effectiveness of the newly amended SBA disaster relief program.

This most recent disaster provided the first opportunity to evaluate whether or not 16 percent loans are affordable to victims ravaged by disaster and in need of immediate financial assistance. The evidence seems clear that far too many SBA loan applications were refused because people simply cannot afford a debt repayment based on 16 percent interest. Additionally, many people cannot afford the debt associated with the alternative 8 percent interest rate loan.

The most recent and highest 25 percent loan decline rate means that those with the greatest need not only received no Federal disaster assistance, but are left with even greater economic instability and no hope for future recovery. A high loan decline rate may make budget slashers in Washington, D.C. happy, but it is a cynical approach to budget savings at the expense of America's disaster victims.

Exorbitantly high interest rates also create an illusion that the need is actually less than reality would dictate. When fewer people qualify for high interest rate loans, and individual and family grants are fixed at $5,000, the total budget expenditure for national disaster relief is reduced and the need for adequate Federal budget appropriations is diminished.

The current SBA disaster loan interest rates, at their lowest, are nearly 300 percent higher than the rates prior to the amendments effective August 13, 1981. The lowest interest rate loans currently available are prohibitively expensive especially for seniors or anyone on a fixed income. The rates are out of reach for most young homeowners who either received family assistance, built themselves, or purchased early in an attempt to enter the California housing market. The present rates make the fiscal burdens associated with a disaster a permanent economic fixture for most moderate and middle income individuals who have fought to keep up with crippling inflation over the past decade.

The current SBA interest rates must be reduced in order to broaden the scope of eligible individuals and households. The previous SBA rates of 3 percent offered more realistic disaster relief than the current rates, which merely perpetuate the effects of disaster forever into the future.

In addition to the rates, the loan limits are without question too low for areas such as northern California where average entry level housing starts conservatively at $110,000. The same home in the Midwest or other regions of the country could be as much as 30 percent less expensive. Similarly, the cost of repair and reconstruction is proportionately higher in northern California than elsewhere.

Whereas a loan limit of $50,000 may serve the needs of a few people in other regions of the country, such a limit is inadequate for the Nation as a whole and is clearly too low for this area. With conventional reconstruction costs averaging between $50 to $70 per square foot, it takes little damage to reach either the maximum loan limit or the maximum affordable loan when coupled with astronomically high interest rates.

Whenever damage results in total loss of both land and structure, as was far too often the case in Santa Cruz, the maximum SBA loan available is insufficient to purchase both home and land. Therefore, many victims are forced to abandon SBA assistance due to their inability to finance the complete relocation cost beyond SBA financing thus making them ineligible for even partial funding of reconstruction costs.

At a minimum, the committee should review options for regionalizing the loan limits to account for market differences in real estate and construction costs. More appropriately, however, the committee must move to increase statutory ceilings on loans which currently are held artifically low due to regulatory or administrative whimsy.

Linked to the issue of affordable loans and appropriate maximum loan limits is the need for a forgiveness provision. Prior legislation allowed forgiveness of the first $5,000 of an SBA disaster loan, which, in effect, combined the loan and grant concepts into a single instrument.

Although an across the board increase and reinstatement of a forgiveness policy would, perhaps, be both politically and fiscally difficult, the reinstatement of a forgiveness provision evaluated case-by-case depending on need is essential to providing adequate relief. Such a policy would allow a greater number of individuals such as retired and disabled seniors to benefit from more complete disaster recovery assistance when most needed.

The series of amendments to the SBA disaster loan program included in Public Law 97-35 has without question expanded the gap between the myth and reality of disaster relief. Higher interest rates, unrealistically low ceilings on loan maximums, gutting of forgiveness provisions, requirements for meeting the "credit elsewhere" test—each of these has torn such massive holes in the Federal safety net that the myth of relief no longer exists in Santa Cruz County.

The small businesses and homeowners, who form the backbone of our community, are the present, past, and future hard working core of individuals who deserve more in their time of need than their country has provided thus far. They are people who earn a living, pay their taxes, raise their families, and contribute to their community in a variety of ways. They are not asking for a handout. They are asking for assistance from their Government to rebuild what was once theirs.

The most recent amendments have created a disaster instead of relieving one. Adequate and timely disaster assistance is a good investment in the future of our Nation. Ignoring the need is to ignore this country's most valuable asset—its people and its taxpayers who have already invested in our Nation's future.

After having worked with literally hundreds of constituents in need of disaster relief over the past 3 months, I urge the committee to seriously consider the following legislative amendments:

1. Restore the previous low interest rates to the Small Business Administration disaster loans. The maximum interest rate must be no more than 3 percent per annum. This would still provide the Federal Government with a program of repayment and interest, which differs greatly from the vast majority of Federal assistance programs which provide no return to the Federal Treasury whatsoever.
2. The maximum loan limits for homeowners must be raised to a level which more accurately reflects the actual needs of disaster victims. A limit in the range of $200,000 to $300,000 would be more realistic.
3. A forgiveness provision must be reinstated based on a case-by-case evaluation of economic hardship to insure eligibility for low and moderate income families, seniors and anyone dependent on a fixed or low income.
4. The "credit elsewhere" provisions for homeowners must be eliminated so as to minimize confusion, delay and unnecessary red tape for applicants.
5. Allow SBA loans to businesses to cover 100 percent of physical losses and lower the interest rate on disaster loans to businesses unable to obtain alternative financing to the previous 5 percent level.
6. For businesses able to obtain credit elsewhere, the formula rate should relate to the Government's cost of borrowing instead of the commercial prime rate in effect on the day of the disaster as is presently the case. In addition, provide for a 3-year "graduation" review and if a business is unable to obtain alternative financing at that time, allow the business to keep its Government loan with a graduation review every 2 years.
7. Provide disaster assistance for the repair or replacement of any damage to secondary homes and their contents as well as recreational vehicles.
8. The SBA disaster loan program must be amended to further clarify the eligibility of loan funds to be used for private road repairs and other on-site reconstruction costs. Currently, the administration of the program for such purposes is ambiguous and misleading.
9. The period of eligibility from the time of the disaster to the close of applications must be extended from the current 60 days to 120 days. Many people simply are too emotionally or physically distressed following a disaster to apply in a timely and coherent fashion within the short application period. An extension of an additional 60 days would provide a more realistic deadline for many individuals.
10. The entire application, processing, and loan disbursement procedure should be streamlined and fast-tracked to provide funds as quickly as possible. Not knowing whether or not you have qualified for your loan or when the funds will be disbursed increases the burden. Lengthy delays caused by changing information results in financial hardships beyond disaster-related problems.
11. Reinstate the criteria for declaring a disaster, thus triggering SBA assistance to that used prior to March 19, 1981. In addition, include a provision that allows for an extension of SBA assistance based on damage subsequent to the original incident, but caused by cumulative impacts associated with the initial event. For example, significant damage occurred in Santa Cruz following the close of the incident period, however, the damage resulted from extreme ground saturation associated with the original January and February storms followed by heavy rainfall in late

March. As yet, there has been no determination of eligibility for affected property owners.

12. Most importantly, these and any other amendments designed to assist disaster victims must take effect retroactive to January 1, 1982 to insure benefit to victims of this year's disaster in Santa Cruz County.

Mr. Mitchell, we, in local government, appreciate your presence here today. Along with our representative, Mr. Panetta, who has been tremendously helpful to storm victims and local government alike, please take this simple message back to Washington. That message is that without congressional action many Americans will become permanent victims of the storms of 1982 and the SBA. Thank you.

Mr. MITCHELL. Mr. Forbus.

TESTIMONY OF DAN FORBUS, FIRST DISTRICT SUPERVISOR, SANTA CRUZ COUNTY, CALIF.

Mr. FORBUS. Good afternoon, Mr. Chairman.

I want to echo my colleagues welcome to Santa Cruz. I certainly thank you for coming here, and giving us the opportunity to testify in front of you.

Thank you for the opportunity to express my thoughts on some of the aspects of small business loans, specifically as requested in your letter to me of April 5, 1982. My comments are:

First, the adequacy of the SBA's disaster program in terms of time of response and amounts of money available to back disaster victims seems good.

Second, the problem is in the delay in the actual securing of loans, plus the high interest rates required on these loans. I think we should keep in mind the fact that disaster means immediate need—from the January 4 disaster period to the present time. I know of no loan applicant actually receiving aid. We must ask ourselves if this is actual response to a disaster. You and I know that any delay from rebuilding or getting back in business means that the odds grow that this will not happen at all.

My recommendations are:

First, to cut the delay time of getting money in the hands of the victims of any disaster.

As an aside, being in government for the past 12 years, I don't offer any solutions to that, because I know how hard that really is, when you talk about spending taxpayers money, and you want to make sure that it gets to the actual place that it has to go. But I think that is one of the main points of this whole thing, that the disaster is an immediate need. These people are in immediate need, or they would not be disaster victims.

Second, reduce the interest rates to 3 or 4 percent for at least the first 5 years of a loan, or some formula along these lines.

Government, in the words of a famous President of the United States, "should do for its people what they cannot do for themselves." Taxpayers money is certainly well used in helping citizens in a disaster status. We just have to find a way to do it better.

Again, I thank you. I apologize for being a little late, gentlemen, but I knew from experience that my colleagues would take up that time.

I would like to thank Mr. Panetta also for arranging this. Thank you very much for allowing me to be here.

Mr. MITCHELL. We thank you for your testimony also.

Several people have indicated that a significant percentage of people did not apply once they learned what the ground rules were in terms of the interest rates and so forth. Could you give me a ball park figure or percentage of those who simply, after they found out what the interest rates were, what the limits were, said, "No, we are not going to apply."

Mr. FORBUS. Let me answer part of that. We set up a disaster area evening meeting, and invited people from Soquel, and up and down in the first district; the turnout was good.

In the initial explanation of the requirements and the ceiling on money that was allowed, I would say that 40 percent of the people went away without filling out an application. They simply could not make the payments under the high interest rates, and the $50,000 or $55,000 ceiling was not going to do them any good anyway.

Ms. LEVY. Mr. Chairman, I can't respond to the question specifically, but the Small Business Administration can. They know how many applications are out, and how many they have gotten back. My understanding from them is that a significantly lower figure were returned than in past disasters. We are the first higher interest rate disaster that has hit.

Mr. MITCHELL. This is the same general information we got up in the Bay area.

Mr. CUCCHIARA. From being in the field on this disaster, I have clearly talked to more people that did not even bother to fill out an application, let alone those who filled it out and didn't follow through.

Mr. MITCHELL. Mr. Panetta.

Mr. PANETTA. I think what the chairman was after is your idea of how many people, of the total that could have applied, just did not bother to apply because they were afraid of the interest rates or the size of the loan. Mr. Forbus suggested that was about 40 percent. I wonder if that is your feeling, too.

Ms. LEVY. I would say at least.

Mr. MITCHELL. This is precisely what we argued last year when we fought against the changes. The Reagan administration sent these changes down. We said people are simply not going to be able to meet those criteria. We must confess that it was a long and bloody fight, but last year the Congress was in the mood to cut everything, anytime, anyplace, anywhere, under any circumstances, and now we are paying the bitter price for that kind of foolishness.

This is precisely what we predicted—that if we made the changes, the people would be so frustrated and feel so hopeless, they would not bother to apply. Those who fought for, and argued for, the changes in the law would raise this question: Doesn't it mean that those who declined to apply for loans must have some other resources somewhere to help them? Therefore, the changes are not really harmful. That would be their argument: all those who said increase the interest rate, cut the amount of coverage, and so forth; that would be their argument.

How would you answer that argument?

Ms. LEVY. It would seem to me, Mr. Chairman, that they would argue everyone struck by disaster can obtain a general interest rate loan at a commercial bank, and are going down the street to do so. Yet I think if you go, and see the banks, you would find that is not the case.

Mr. **Cucchiara.** I would add, Mr. Chairman, many people are walking away from their damage and their economic devastation, and are never going to recoup from that. So, with that in my mind, it is not an indication. What we are doing is relegating more and more of American society to a level of the poor: the permanent disaster victims. They will never recover.

Mr. **Mitchell.** One other comment. This was on the suggestion that we regionalize the loan ceilings. That has some merit, of course. But I would much prefer to go for a figure—or a ceiling—that would apply to the whole country.

For example, in the District of Columbia, when the new administration came in, I saw advertisements in the paper, "Get yourself a modest home for $250,000." Well, I hope that we won't have a disaster in Washington. But in all parts of the country you have enormous housing problems. So my first reaction would be to set a ceiling that could embrace any portion of the country.

Do you have any questions, Mr. Panetta?

Mr. **Panetta.** No, I have talked with these people on a regular basis. I might be interested in having the witnesses relate to you their reactions as to how SBA provided assistance, and whether they did provide sufficient information early on, and were they available for the kind of information that was needed for the people that were impacted?

Ms. **Levy.** I think very clearly early on there was not the kind of clear, adequate information about the programs—the guidelines of what they are in fact and any kind of counter to the erroneous information which was circulating. It was very prevalent that people believed you had to be rejected by a bank before you could even begin your application to SBA. Although that was not the case, people's perception was different; it shaped their actions; and I think prevented people from coming in for the aid to which they were entitled, even if that aid was not going to be adequate.

Mr. **Mitchell.** I just don't understand why it is not possible to simply print up a very simple factsheet, points 1 through 10, what is available, and have that for mass distribution. I am not criticizing the SBA at this point, but it seems to me from what we heard earlier today, and what we are hearing now, the failure to give accurate information became a method of discouraging people from applying, and did precisely what you alluded to in your testimony.

Mr. **Cucchiara.** I would comment on that by saying I view it as a budget control, that if you come at it from a negative point of view, you are going to have more of a likelihood of getting away with less expenditure than if you go out with a helping hand and say "we want to make this available."

Mr. **Mitchell.** The annoying thing to me is that those same zealots who last year approved all of these changes will then argue, "But the people didn't come in." They will just distort and pervert the data, and say "We were right." Hopefully your testimony here will be our weapon in fighting against that kind of thinking.

Thank all of you for being with us this afternoon.

Ms. **Levy.** Thank you very much for having the hearing here, Mr. Chairman.

[The prepared statement of Mr. Forbus follows:]

Prepared Statement of Dan Forbus, First District Supervisor, Santa Cruz County, Calif.

Thank you for the opportunity to express my thoughts on some of the aspects of small business loans.

Specifically as requested in your letter to me of April 5, 1982: 1. The adequacy of the SBA's disaster program in terms of time of response and amounts of money available to back disaster victims seems good. 2. The problem is in the delay in the actual securing of loans, plus the high interest rates as required on these loans. I think we should keep in mind the fact that disaster means immediate need—from the January 4 disaster period to the present time. I know of no loan applicant actually receiving aid. We must ask ourselves if this is actual response to a disaster. You and I know that any delay from rebuilding or getting back in business means that the odds grow that this will not happen at all.

My recommendations are: 1. To cut the delay time of getting money in the hands of the victims of any disaster; 2. Reduce the interest rates to 3 or 4 percent for at least the first five years of a loan or some formula along these lines.

Government, in the words of a famous President of the United States, "should do for its people what they cannot do for themselves." Taxpayers' money is certainly well used in helping citizens in a disaster status. We just have to find a way to do it better.

Mr. Mitchell. Our next panel is made up of John Pizzuti, Mrs. Clarissa Blount, Ron Heine, Clarence Smith, and Mrs. Sheila DeLaney.

PANEL CONSISTING OF JOHN PIZZUTI, CLARISSA BLOUNT, RON HEINE, CLARENCE SMITH, AND SHEILA DeLANEY

What I recommend is that we hear from all five of the witnesses, and then come back for questions, and I will be the first one to violate my own rule. I get so excited, I just start asking questions, but I will try to restrain myself.

Mr. Pizzuti.

TESTIMONY OF JOHN PIZZUTI, BEN LOMOND, CALIF., PRESIDENT, LOVE CREEK HOMEOWNERS ASSOCIATION

Mr. Pizzuti. Thank you.

Gentlemen, the county of Santa Cruz encountered a crisis situation on January 4 and 5, 1982, the likes of which was never seen before. The loss of life and property was shattering to those affected, and the trauma generated from the disaster has not left.

People were informed that the county of Santa Cruz was being declared a Federal disaster area, and that help would be coming. A temporary sigh of relief was heard. Once the machinery was set in place to begin the process of providing assistance to those in need, it became apparent that the so-called disaster relief process might not provide much relief, and consequently, the faint glimmer of hope was all but extinguished.

During this past February I was elected president of the Love Creek Homeowners Association in hopes that I might be able to help coordinate an effort to bring about some form of adequate assistance. A large number of residents whom I represent were displaced over a five- to six-county area of northern California, due to the sudden evacuation of the Love Creek area caused by the threat of another slide. We are talking about roughly 80 to 100 people here.

The process of seeking temporary assistance in housing was extremely difficult and costly; that is, victims were responsible for the first month's rent, last month's rent, and a security deposit. This figure averages between $1,200 and $1,400 in this area. The FEMA agency would not front such costs, expecting the disaster victims to have the economic capability to do so.

In addition, I know of two cases where fellow Love Creek residents were ill informed by FEMA representatives saying they had 36 hours to find a property to rent, or be dropped from the program. My personal experiences were not dissimilar, as my person-to-person contacts initially were upsetting. It was my distinct impression that there was an air of reluctance to answer some of my specific questions, not to mention the fact that some were never answered.

My only perception of why this might have occurred was that they were suspicious of my intentions and wondered if I might abuse the system. In general, one might characterize the relief processes as begrudging and without empathy.

Regarding the SBA loans, this has been another area of significant disappointment. The SBA loans were only recently made applicable to Love Creek residents due to a quirk in the interpretation of damage. We were previously informed that such loans might not be available to us. It was not until the county of Santa Cruz chose the radical process of the abatement of our homes that this situation was remedied and SBA officials made the commitment.

The SBA loans are inadequate in two areas: First, the maximum amount available is not nearly sufficient to purchase another home or rebuild.

Second, the recently changed interest rates are excessive. The cost of a typical building lot in this area hovers above $20,000 and home construction costs are in the $50 to $100 per square foot range. Most of us would require additional financing obviously, and at today's high interest rates, it is an unfortunate foregone conclusion.

With respect to the new interest rates, why is it that a refugee from another country can obtain an SBA loan at a lesser rate, and what about the rates that other countries pay us for purchases of military weapons or supplies? Priorities seem to dictate that a tax-paying, law-abiding citizen of this Nation does not warrant first-class treatment in a disaster situation.

Before concluding, I would like to read you a letter from one of my fellow Love Creek residents who cannot be here due to ill health. He states:

> HONORABLE MEMBERS OF THE HOUSE OF REPRESENTATIVES ON SBA: It is my desire that this statement be circulated and read by your committee scheduled to meet in Santa Cruz, California. My reason for not being able to attend is that I have in the past year suffered serious health problems. But I would like to express my sincere feeling in regard to the Love Creek slide disaster.
>
> We purchased our property approximately 15 years ago. The fact that we were able to pay for it allowed us to retire about 6 years ago. This gave us the ability to live on Social Security and payments from those who had bought my business, which included my son, and a former employee of 25 years.
>
> After the January 5 disaster, we were evacuated by the volunteer firemen and walked away from everything we owned. Since then we have reestablished ourselves in a small mobile home on Bethel Island, California. Due to our limited income and

our ages—we are both 70—we were unable to finance this place through regular financial institutions. Hence, we requested an advance on what was still owing on my business. This, of course, reduced our future income.

We have requested aid from FEMA and they have agreed to reimburse us at the moderate rate of $98 per month, the parking fee for our mobile home. My wife and I have never been ones to ask for or expect the Government to solve our problems. Since coming to this country in 1927, I have never received, or asked for one penny of Federal or State aid, or benefits of any kind.

In 1942, when requested by my Government, I voluntarily entered the U.S. Army and served for over 3 years. Upon my discharge, I went back to work, and rebuilt my life and raised four children, none of whom has ever been a ward or recipient of Government aid, other than an educational loan received by my son after his release from the Army after the Vietnam War.

From this background you can see we are not like some kind of peasant coming to you hat-in-hand for some unreasonable request for help. But as residents of one of the greatest democracies on earth, we feel in a situation like this we can call upon our Government for reasonable help. Anything that can be done to help us, or any of our neighbors who have suffered such tremendous losses of life and property, we feel would be worth your consideration.

Respectfully submitted,

ROLAND H. BARRETT.

Lastly, people's spirits are quite low. Their faith in the system that they have financially supported for years is waning. I can only hope that your actions on these matters will serve to dispel the existing apathy.

Thank you for providing this opportunity to share some thoughts with you.

Mr. PANETTA. Mr. Chairman, if I just might, those of us here are familiar with the situation. I don't know whether the staff has made you familiar with the particular situation he represents, which is Love Creek. But the situation is that we had a mudslide that destroyed a number of homes, and took lives as a consequence. An area next to the slide area is threatened with additional slides. There are about 28 homes, roughly 28 to 30 affected by that. Although those homes have not been damaged, the county has declared that the area is unstable, and those families cannot return. So they have a home which, while it hasn't been physically damaged, is now worthless. They are struggling to find a place to relocate, or at least move these homes to areas that are more stable.

The problem we initially had with SBA on this—and I might say, SBA helped us out—SBA initially felt because the homes were not physically damaged, they might not qualify for SBA assistance. Fortunately, because of the county's actions declaring the families could no longer return to their homes, because of that, SBA assistance is now available in that area, although it doesn't cover the problem that is there. I wanted to bring that problem to your attention.

Mr. MITCHELL. I thank you for doing that.

Here again is an instance where I insist that when people are in trouble, I would much rather an agency err on the side of making a mistake rather than hurting people. The victims were held up all that time. Let's thrash it out later on. If SBA would say, we don't know what we can do, but let's go ahead and do something, I think that would be far more appropriate.

Mrs. Blount.

TESTIMONY OF CLARISSA BLOUNT, SANTA CRUZ, CALIF.

Mrs. BLOUNT. Mr. Mitchell, gentlemen of the committee, a little after midnight on January 5, a whole mountain split behind us and descended on us in approximately 45 seconds, according to the geologists. The whole valley was destroyed, and 8 homes totally, and 10 people lost their lives. I am one of four survivors, and today is the second day I have a cane instead of a walker.

The four survivors are friends of mine: One lost her home and mother. Kimberly Kidd lost her husband and her home. Marge Wallingford was living with my daughter, and lost her friends. I lost my home, my daughter's home, my daughter, and her fiance.

I wrote the story because I had nightmares of that night. My being saved was an extraordinary miracle. So here it is. It is personal:

The day began like other days with Ming, my little black poodle, deciding when to wake us up. She had a built-in time clock which said that a quarter to seven was getting up time. I used to wish she would sleep upstairs with me, but she did not like the stairs, so she slept very warmly and comfortably in her basket with blankets and a golden New Zealand sheepskin to nestle into, in the downstairs bathroom.

She would scratch a little on the door and then set up a little cry and so I had to get out of bed, sleepy or not. This morning all the way down the stairs I was telling her, "Ming, it is pouring with rain, you won't like it," but she just rushed around me, and ran out onto the soaking wet deck, as if it was fun.

Oh well, no use going back to bed, so I found my robe and slippers, and put on the kettle for a cup of tea. Luckily I filled my silver teapot—it was my mother's—because after that there was no power at all. I dried Ming with the big towel I kept near the door for her, and then noticed the huge river of water pouring down Woodland Road. It seemed to be passing the driveway that I shared with Pat Nelson, but was rushing down John McClusky's. I was going inside to call him when he came out to look.

Usually I did not call my daughter until later, as young people like to sleep, but this looked very bad, so I called, and Karen, the student who stayed with them, answered. I told her about the river of water, but she was quite cheerful and said it was not hurting her car. I said I was worried about Gene's van which was down at the corner of Love Creek.

I kept watching this relentless pouring water and finally called again, and luckily Vonna was awake and realized it must be worse than they had imagined. I also told them that John was going to have a flood so she and Gene dressed in their oilskins and came down to help. I also called Mark Nelson who lived below me to see if he could come and help John. So, soon they were moving big logs, and trying to divert the water.

Then Vonna, Gene, Karen, and Bud, who with Kimberly, his wife, lived in the little house on the corner, all pushed Gene's van down Love Creek Road to safety, they thought. Then back they came to me, all dripping and smiling and getting a flask from me so they could get me hot water for coffee. They had a big open fire going well, so soon they were back again with pieces of wood for my Schaeder fireplace. "It is soaking wet," they said, but I had some paper and light wood, and they stood laughing and dripping on the doorstep while I went back and forth with the wet logs. They waited until my fire was going well.

They went back then to take care of leaks, and Ming and I settled down together on a big chair, Ming to sleep and I to do some needlepoint, another unicorn. Julie and Vonna and I all had this special thing about unicorns and when I was in Scotland I thought I had discovered why. They were in our Scottish blood, and were on all the royal signs, and on Holyrood Castle.

All this time the creek was roaring loudly and looked ferocious, and Vonna came in and said Love Creek Road was gone. Julie, my other daughter, lived on the Saratoga side of the mountain. She was cooking chicken and all kinds of goodies for us, and was going to bring them as far as the road lasted. Then Vonna and Gene would go down and meet her. She also wanted to take us all to her home, but at that time we were all warm and safe; nobody could have guessed. Then in the afternoon, Vonna called and asked me to try my faucets. I did and there was no water. She had none either and could not get through to the Smiths. He is the manager of the water company. Mrs. Smith answered the phone and before I could tell her, she said there was not much water pressure so I had better fill some receptacles with water. "But we don't have any water at all," I said. "Neither Vonna's home nor mine."

Oh well, she said she would tell Clarence as soon as he came in. A few minutes later he was at my door telling me to fill the bath with water. Again I explained that Vonna and I had no water at all and we decided that the pipe had broken somewhere. Out went the saucepans onto the decks, and Vonna's home and mine soon had plenty of rainwater.

Once one of the logs in front of John McCluskey's moved, and the water streamed into his driveway again. So I phoned and he went out, and moved it again. Otherwise, I didn't see anything of my neighbors. But Vonna and Gene and sometimes Karen, kept coming down to see me and give me any news.

They told Julie not to come until the next day as there was no road now. Then the phone went out, so no power, no water, no phone. But my darling Vonna and Gene kept coming down to see me.

While it was still light I played the piano, my beautiful grand, and sang. There was my book of recitatives and solos from "The Messiah," which I had sung often when I was young.

So I started off, "There Were Shepherds Abiding in the Field Keeping Watch Over Their Sheep by Night" right through "Rejoice and Come Unto Him." Then suddenly it was too dark, and I collected all the candles, and oil lamps and set them on the dining table. Then I saw Vonna's lights go on, too.

My neighbors across the driveway seemed to have bright lights, and I heard later that they had a generator. Perhaps that is why Pat Nelson and her son Mark were there. Then I saw some lamplight up at Lorraine Leatham's home, opposite mine on the hill on the other side of the road. So I felt fine with Lorraine's and Vonna's and my lamps and candles. Vonna and Gene kept appearing at odd hours all evening, but with flashlights now.

All my beautiful colored lights from around the deck and my lovely green Christmas tree from Crest Ranch out on the middle of the deck, with blue balls and twinkly lights, were all dark now. I had a beautiful indoor Christmas tree too, with all my Christmas presents unwrapped all around it waiting for Twelfth Night.

I had been so happy with my new deck that I had decided to have an outdoor tree right out in the middle of it this Christmas so that all the neighbors could enjoy it and all the people who went up and down Woodland Road. The little boy, Kelly, used to stop and talk to me. He told me he really liked my outdoor tree and lights. But then his big blue eyes opened widely, and he said very seriously, "But I haven't seen your indoor tree."

"Would you like to come now and look?" I whispered to him, because the rest of the family were going into their house.

"Yes," he said eagerly, and ran across the drive and we took hands and went inside to see it.

"Oh," he breathed, "it is beautiful and you have all the lights on in the daytime."

"I can't resist it," I said. We loved it together, and I sent him home with the promise that all my lights would stay on until Twelfth Night. He was a cute little boy and always talked to me, so now I know he walks with God, and will always have beautiful lights around him.

Vonna's last visit to me was between 9:30 and 10 p.m., and we kissed each other good night, her face all wet and shiny. Her eyes sparkled at me as she said, "Mother, we are all safe now. The water is lessening and we can see Gene's van down on Love Creek. Karen's car is safe, and so is yours. So we can all go to sleep and remember, we will be watching just across the way."

My darling Vonna.

"Be careful, darling, walking up to the house," I said.

"Yes, Mom; good night."

"God Bless," I said.

That was the day before, the day's end.

Ten o'clock was Ming's bedtime. She had been strangely restless all evening and I had to let her out in the rain so many times and dry her off, so I was glad now that she wanted to be tucked up for the night. "Sleep tight, Ming."

I took a candle upstairs to my bedside table and blew out all the others and went to bed quite happily about 11 p.m. After my light was out, Vonna turned hers out, and I snuggled down under the covers and went straight to sleep.

That was the end of life as we knew it, of families who lived near each other in the most beautiful valley with wonderful redwood trees—some of mine are tremendous—with huge old oaks, with madrones and bay trees, firs and laurels, hazelnuts and manzanitas, and so many more. All had been there forever it seemed, and would be there forever more.

It may have been midnight when I awoke to this tremendous crash, and I knew it was one of the big redwoods behind my home about 30 feet higher up near the road between Vonna and me. There was no second time. I was thrown out of bed, and I didn't even know if I made any sound. When I came to I was on a little ledge of roofing high up on a big redwood tree and down near the roaring creek. There was utter darkness, and the rain was falling on me. My legs were pinned together under a piece of wood. I could not move at all.

I was calling Vonna, quite softly I think, because I know she would have heard the tree fall on my house and she would be there in just a moment saying "Mother, you are all right, just hang on, and Gene has gone for a ladder," and then I knew she would say something funny about being up a tree in the middle of the night.

I heard a scream from across the creek and it sounded like Pat Nelson and then I knew it was her house as well as mine. So I began to call for help. It is a strange thing, but I have never been able to yell. So when I have to make a big sound I have to sing it, high up. So this is what I did. Then I heard someone else calling for help. It sounded across the creek too, but further down near the corner of Woodland Road and Love Creek Road. I didn't know if she could hear me, but I told her my legs were caught and I couldn't move so if she could, call while I tried to free myself, then I would start calling again.

I am always complaining about my silly little nails that break and are so helpless, but that night they did the right thing. As I hung to a piece of cloth caught in the tree with my left hand, my right fingers pulled little slivers of wood off the boards that had me pinned, until my left toes were free. Then I set to work on the wood around my right knee. I have no idea how long it took, but finally my legs were free, and I was very proud of God and me managing together.

Then I turned over and to my horror discovered I was on a small ledge of roofing. So my knees were nearly up to my chin, and part of my back was on a piece of board, I think, but I could not lie down. My left side was protected by a branch of the tree, and I could hang on there with my left hand, but my right side was being rained on, and it was very cold. Worse still, when I put my right hand down on my sore thigh, I found that there was nothing there at all, so there was not much room to move.

I was singing out for help now, and did so for a long time. Once in a while the other girl called out too, but we were getting a little weaker, I think. Luckily the rain stopped and two beautiful stars came out. I was so happy because I knew that when the stars got low in the sky it would soon be morning.

By now I was sure I was going to die, but it did not matter at all. I was just wondering which way it would happen. I knew by now that my leg was bleeding, and I thought bleeding to death might not take long. All around me trees were cracking, and I began to think that it was possible another tree would fall on me, and that would be better. Those were the only sounds now: the cracking of trees, and the roaring of water which I could tell was just below.

I believed that it was only my home, Pat's, and the other girl on the corner, and the roaring of the creek was so great that no one else had heard anything. The young sleep so beautifully. I don't remember praying, and I usually pray over everything, even silly little things, but I didn't for one second think God had done it. All my family, Julie and Casey, and Vonna and Gene, and myself have a great respect for and love of nature, and we people of this world have done very wicked things to our wonderful world, and probably God is very hurt by what we do to the Earth and each other.

So now I had to think about living until help came, so I began to sing. For one thing I had to stay awake so that I would not fall off the tree, and for another, I love to sing; it comforts me. So there were the words and music already in my mind, "There were Shepherds Abiding in the Fields Keeping Watch Over Their Sheep by Night." So I sang all the recitatives and started "Rejoice," but that was too much for me. By now I was shaky with cold and a shaky "Rejoice Greatly" sounds very funny. It made me giggle. So after that, I didn't bother with real songs, but just made them up about the stars when they got low in the sky, it would soon be morning and someone would find Kim and me. I didn't know then about Karen and Lorraine, but they could hear my voice some of the time, they told me later.

Morning took forever to come, and my voice was getting very wobbly, but slowly, slowly the stars seemed to be getting lower. It was very cold and I had no space to move and I would rub my right thigh with my right hand and then hold onto the piece of cloth with that hand and rub my left side with my left hand. It sounds a little complicated, but it gave me something to do and it was very, very cold up there. I just kept telling myself, singing it in fact, morning is coming and will soon be here.

There it was at last, the day was coming. It was 7:05; my watch was still going. I forgot all the discomfort and the cold and the charley horses in my legs and sang out loud, morning, beautiful morning, and help would come. I sang for help, but all was still and very quiet except for the little junkos. I watched the minutes go by still calling now and again, but now I knew there was nobody.

By half past 8 I knew that somehow I had to get off that tree and find Vonna; she and Gene must be trapped. The branches of the tree hid everything to the left of me, straight down to the right about 30 feet down there were broken trees and sharp palings that would have killed me. The roaring creek was just ahead of me. For the first time I was frightened because I had to get down to find Vonna. By now I knew there was no hope of help and there was an eerie silence.

There was a tiny space in front of my bent legs and I could see some ground and a piece of wood and a torn square of insulation. Should I jump? All my life, since I was a little girl, I loved to climb, but hated to come down. I was afraid to go down. So now I had to jump, now I knew Vonna and Gene were trapped or they would have found me. Perhaps one of the three redwoods that fell on me fell on them too. Oh no, not my beautiful Vonna, no God, not Vonna and Gene and Karen.

Then just as I was preparing to fall off the tree somehow, there beside my right hand was a piece of wood. I hadn't even seen it before, but now God showed it to me. It was a plank maybe 6 inches wide and inch by inch I moved it over the edge of the tree. It had to go straight down or it would be lost, so I was very careful, and gently, patiently let it down. It is hard to believe, but it was just long enough to go to the ground and rest on the end of the tree. Now I knew I could do it. My soaking wet unicorn cushion was at the ledge by my foot and I eased it up and set it on the branch. Then I pulled my legs out and hoped the branch would hold me.

I moved slowly on the cushion and then slid down the plank. Oh what a wonderment, but then I lost all my courage because my leg was smashed. I couldn't stand up, let alone walk. I was not singing now, I was crying. I had to get to Vonna. Well, I could crawl, so I crawled on my hands and knees. It was all broken trees and boards. Then I saw Pat's revolving clothesline, and I knew that was up near the bottom of Vonna's land. So I began clutching at pieces of branches and sticks. They were sometimes quite useless and I kept crying, "Vonna, Vonna. God, not my Vonna."

Sometimes the broken trees were big and I couldn't crawl over them, but I would throw my body over and go again. At last I was there at Vonna's patio near the stone barbecue. Then I knew why there was no sound, no help. There was no mountainside. There were no trees; they were all broken. No houses. No houses, no houses at all; no Vonna's house. I dragged myself onto the redwood chair, and started calling their names—"Vonna, Gene, Karen." Then there was a sound, an answer.

Now this is what I wrote in the hospital. No wonder there had been no help. No wonder there was that horrible silence. Only the little junkos. This utter desolation was new to my tired eyes. Unbelieving I looked, and could not understand. Nothing in all my life had prepared me for this. No mountainside where gnarled madrones had forked their way through tall straight oaks and firs, and oh, my beloved redwoods towering to the sky. All gone. All broken. Utter incredible silence. I called your name, Vonna, my darling, and Gene. "Vonna, Gene," I called. No house; no houses; only broken trees and roaring creek.

Again I called for Vonna, Gene, Karen, and there stood a young woman. Was she real?

"I came to see the creek," she said. I did not know she ran for help. Bill came and cried to see me in my wet and bloody nightgown and wrapped me in his jacket.

Someone is alive and I pointed to where I had heard the sound. Over the broken trees he clambered. It was Karen. Then came men with saws and ropes. Bill wrapped me in his jacket, and I sat shivering and whispering all the while. Vonna, my beloved child, and Gene, her lover. My lips just barely moved. No sound came from them but oh my heart kept calling them. Still it calls and calls and calls.

It was cold, so cold. Then Bill came crashing through the broken trees and he wrapped his jacket round me and hugged me, and I told him there was a sound. He started calling, "Vonna, Gene, Karen." But nothing now.

"Are you sure you heard a sound," he said.

"Yes, I did. I heard something."

"Point to where you heard the sound," he said.

I pointed and he clambered over the mess and debris and trees and boards and in fact, Karen said he nearly stood on her head. But he shouted out to me, "It's Karen and she is alive and we will get her out." He hugged me again and said, "We will find Vonna and Gene too."

The young woman in blue came back with lots of men with ropes and electric chain saws, and Bill showed them where Karen was. She thought she had lost an arm because she couldn't feel it, but it was crushed and the nerves were injured. There were the firemen with a stretcher, but they carried her out of the ruins on a door and then carefully transferred her to the stretcher, and tied her on. They placed pads under her head where she hurt.

I spoke to her but I don't think she knew I was there. Her head and neck hurt. Those firemen were so good and so careful of her, and tied her on the stretcher so she wouldn't get bumped. Another man wrapped his jacket around me, too, as I was very cold in a wet and bloody nightgown. And the young woman in blue took off her little jacket and wrapped it around my feet. Everyone was so kind.

Bill said goodby and promised to be back for me as soon as they had Karen out of the danger area. The firemen were waiting for another stretcher for me, but I wanted to wait for Vonna and Gene. So they told me they had found them, but couldn't get them out yet. I felt they were saying that so I would go because they were not using the chain saws. I feared the worst, but tried to believe. After all, Karen was alive and I was alive. So they wrapped me in this yellow canoe. They called it a swope or scope or something like that, and tied me in and someone covered me with a beautiful brown and white woolly cover.

Now Lorraine was beside me and they were helping her out as she could walk a little. There were six firemen carrying me and they were so wonderful. They had to lift me over huge fallen trees and sometimes underneath others that were so low that they had to get down on their knees just to make room for the stretcher to go under. It was a long way, too. They had to go all the way up Woodland Road to the water banks and then across the little bridge. No one knew if that was safe, so one or two of them ran across and then one each took the stretcher and the others ran alongside so that whatever happened to the bridge, they would get me across. At least I think that is the way it was.

Whenever they set me down to have a little rest—it was very heavy going—one of them would massage my bare cold feet; they were so funny. "Don't massage the skin off her feet," they would say, trying to make me laugh. They wouldn't let me close my eyes. "You must not go to sleep," they told me, "so we will tell you jokes. They may not be very funny, but you have to laugh." So I tried to laugh and after we had all got safely over the bridge we were very happy, and had a good rest on the other side.

Then we had a very difficult trip down Vineland because there were mudslides and waterfalls. No one had extra breath to tell jokes. They were all magnificent young men and I am old enough to say that I love them all.

At last we were down to the terrible rush of waters that used to be beautiful Love Creek. I heard Bob say, "You two men with cameras please put them down. Help us across this river; we can't manage." So the men took hold of the scope and we started off in the creek. "Keep away from the main flow," they said. One of the cameramen, an oriental, I think, was so sweet to me. He said, "Keep your eyes on me. I am not going any deeper, and if I slip a little it will only be on a rock. We won't drop you." He was over his waist in water and each man was breathing hard and giving directions to each other, and at last we made it.

The cameramen were from channel 2 TV and asked if I could say something. "Not unless she wants to," said my very protective firemen. How could I refuse? I said, "they helped get me across and besides, I want to tell them how wonderful the Volunteer Ben Lomond Fire Brigade is. They are just great guys and I want everybody to know." I don't know if I said anything else, but I do thank those two cameramen for helping to save my life.

The ambulance was waiting and soon I had oxygen attachments and we waited for Kim. She was on her way down in the next stretcher. They asked where we wanted to go. I said my doctor, Colin MacKenzie, went to Dominican. So Kim said she would go there, too. We couldn't recognize each other. Her face was black and blue and I don't know what mine looked like. We were merely two bodies in trouble, but miraculously alive.

As I lay on the hospital bed in the emergency room all I wanted was Julie, my daughter Julie. She would love me and comfort me and she would find Vonna and Gene. Sister Mary Margaret came almost at once. I told her how to get Julie, and she tried and tried, and so did Sister Anne. Still, they could not get through to her. She lived on the Saratoga side of the mountain and phones were all mixed up and not working at all in some places.

The nurses cleaned me up a little and the doctor stitched my legs in a couple of places and I had X-rays. Still no Julie. Then I began to be afraid for her—not both my darlings—we were very close and loved each other so much. Ever since my husband had died, we had tried to grow up together and somehow it had worked, and apart from loving each other, we had really liked and respected each other.

So I fretted and when the nurses, so kind and sweet, asked me if I needed anything, I said, "My comb, please," because my hair was full of redwood burrs and pieces. They looked at each other and said, "Of course, we will get you one." It was then I realized that I had nothing I suppose for the first time in my life. But it didn't seem to matter. All I wanted was Vonna and Julie and Gene and Casey.

At last Sister Mary Margaret came back with good news. They had contacted a ham radio man and he connected with another one in San Jose and they managed to get through to Julie. They told her I was at Dominican Hospital, but knew nothing else, of course, so Julie thought I had walked out on the wet deck to get wood and had sprained an ankle or something. She collected all the food she had been cooking for all of us and came over as fast as she could.

By now, they had decided that as I could not put my foot to the floor, there was something more serious than a battered body. But now I had to tell Julie that they had not found Vonna and Gene and we were desolate together as she had not even imagined that an unbelievable tragedy had occurred. I had seen it, but still could not believe it.

While Julie was filling out forms for the hospital personnel, Casey phoned and heard the worst from me, that so far they hadn't found Vonna and Gene. He was devastated and said he would be right over to help look.

I think it was that evening, or maybe the next, after I had the first cast on my leg, that we began to think of Gene's family by his first wife. No phones, of course, so Julie and Casey decided to drive up to U.C.S.C. to the married student quarters and at least warn them all that Vonna and Gene had not been found yet. They were both so strong from all the backpacking they had done so recently that we felt they might just be trapped and the firemen would get them out.

Then we found Gene's son Steven at U.C.S.C. Julie and Casey went up there. No phones were working, even the hospital ones couldn't ring out, and we had no power except their emergency generator which lit the surgeries and the halls. Those nurses were wonderful; they never lost their cool. They were so loving to me and so gentle and sympathetic and kept saying, "Don't give up, they will find your daughter."

My darling Julie was up there at the valley everyday with Gene's children: Stephanie, Steven, and Randy. Right up to the last day, when the heavy equipment had to be moved out because geologists said the earth was still moving, Julie was sure she knew where they were because she knew every room in the house.

They found them. Gene had his arms around Vonna and they must have gone together immediately. The mountainside must have fallen on top of them because there was no mud on Vonna's dog, Snuggles, who was dead lying beside them. They loved each other so much and loved what they were doing together for young students all over the U.S.A., teaching them to glory in their wildlands, respect every finite gift of nature, even to be gentle where they trod so the fragile undergrowth would replace itself season by season. Maybe Julie and Casey and Karen and I will be able to help carry on in the same way here.

Vonna and Gene, of course, are way off in some of the Lord Jesus Christ's other mansions, perhaps already looking for wildlands to protect and love for other generations. Wherever it is, they will be just as caring and adventurous and enthusiastic about all the wonderful things they will find around them.

It will be harder for Julie and me because we miss them and need their physical presence. Julie is a tower of strength and has had no rest since this whole devastation began, and we try to help each other. I am in bed with friends from all over coming to see me, nurses, doctors, and therapists to help me. But Julie has to do all the difficult things: talk to lawyers, disaster people, veterans, the Red Cross, and plan the ceremony and still be with me.

A wonderful thing happened to us both. My sister Deena, flew all the way from New Zealand to be with us and I like to hear her trying to make Julie laugh.

Her eyes are heavy and dark and lonely
The hurt lies there for me to see
What should I say who loves her so deeply
We have each other, just Julie and me
And wonderful memories of fun together
Hiking in the woods or
Singing along the Messiah
Or funny things we did with each other
And laughter we shared and hopes
For all women to be free and strong
And stand up for each other
The more we give to each other of love
The less room there will be for hate
Each man and woman has a glory to give
Be generous of that gift you have and
Share it with everybody
Laugh and be joyous with Julie and me
And we will forever hear the songs of Vonna and Gene.

Deena is wonderful. She cares for me all the time and gives all her love, which Julie and I need so much.

Whenever I went down for therapy I stopped to see Kim and we talked for a while. Her mother and father used to come and see me all the time. Only four came out alive: Lorraine, Karen, Kimberly and I. There is a tie among us.

The kindness and generosity of all kinds of people has been overwhelming. The expressions of sympathy, of hope at first, and then the great love for Julie and for me. "You have your beautiful daughter, Julie." Yes, that is so true. She has always been so sweet and lovely and always shared the small and the big things in her life with me, just as Vonna did. Never too concerned with their young friends to forget me and included me in their parties and their fun. Julie and Vonna and I have been very close not just as mother and daughters, but as friends, respecting our differences and cherishing our likenesses.

Sometimes we argued with great animation and then discovered that we were all in favor of the same reform, but because my way of expressing myself traditionally and conservatively sounded different, they hadn't realized how radical I was. Then we would laugh and start all over again.

So Deena arrived on Friday, January 15 at 1:30 a.m. in San Francisco. Julie took her to Madge's home and she was at Dominican that very day to help console and comfort Julie and me.

The mountain was still moving and the heavy equipment had to be moved out, but Julie and Randy were sure they knew where Vonna and Gene were, and they did indeed find them, as I have told you.

Some bodies were never found, including that of my little friend Kelly, and his brother, Trevor. But I am sure our Lord will take great care of them. He always loved children.

Julie and I were so glad that Vonna and Gene were together with his arms around her, and the beautiful memorial ceremony that we held for them with friends of ours and theirs from everywhere. They all felt sure with Julie, Deena and me, that Vonna and Gene would always be together and would always be doing wonderful things for their environment, and helping other peoples to understand how fragile our woods are and how much we must learn about them.

This was the way we loved each other, and it has always stayed that way. We like the ways we are different as well as the ways we are the same.

Julie and I know we have to live with memories, and we try to be brave with each other because we know Vonna and Gene are already looking for woodlands, wildlands, and all the wonderful creatures and flora of the wild. They will be very happy together and will be sending us loving messages all the while. We just have to listen and try to do the right things here. Karen and all their students must listen, too, and learn the best way to keep our world together.

I know that Stephanie, Steven, and Randy and all those who loved Vonna and Gene are already listening and thinking and planning, and all of us will begin to love in a new and beautiful way, because of their great love.

Mr. MITCHELL. "He makes the rose an object of His care. He guides the eagle through the pathless air. Surely He remembers me. My Heavenly Father watches over me."

Thank you.

Mr. Heine.

TESTIMONY OF RON HEINE, SANTA CRUZ, CALIF.

Mr. HEINE. That is a tough act to follow.

Clarissa is a real good example of the type of things that have gone on in Love Creek.

Back to SBA. My home is quite near Clarissa's. I am one of the people who has a home that is virtually untouched by the slide, but I am in the potential slide area. With my young family, we have looked into what we can do with the potential SBA funds. As we look around, we find that the ceiling on the amount that can be given us isn't going to do it. I am a builder. I have lived in the area here for 10 years. I have built quite a few homes. I have looked into the possibilities of trying to rebuild. I don't have any hope that I am going to be able to do that with the program set up as it is. Quite clearly in our mind, the only way we are going to be able to recover is for the ceiling on the loan to be increased to the amounts that have been indicated, and along with that, obviously the interest rates are going to have to come down to something that is going to allow some sort of a normal monthly payment.

In our area, the homes we have been looking at—if we were to qualify for the entire SBA loan, and then go ahead with first, second, and third mortgages, and whatever is required to purchase that property—a home would cost maybe $1,800 a month, which is more than half of what I make every month. So this clearly is not going to add up to a happy situation for our family.

Mr. MITCHELL. Do you have children?

Mr. HEINE. I have two young children.

What I need is a piece of property and some money, and that is the only way I am going to be able to rebuild my life, based on what I have seen. I hope that we can make these recommendations and get them passed.

One other area that is on my mind is the qualifications for the loan. You have to understand that many of us in the current economy have a depressed personal economy also. We have debts that we have incurred because of the economy, especially in my business, and have carried them on into this disastrous situation. If I have to qualify under the same type of terms I would have to go down and qualify in a bank for the type of loan I need to rebuild my life, I am not going to qualify for it. So it may completely throw me out of the picture, and we may be out on the street.

Thank you.

Mr. MITCHELL. Thank you. We will hear from Mr. Smith next.

TESTIMONY OF CLARENCE SMITH, NOVATO, CALIF.

Mr. SMITH. Mr. Chairman, I am Clarence Smith.

As one of the senior citizens of Love Creek Heights, I have been asked to express my views on the SBA loan program, and anything else that may be used to help this cause.

I have been a property owner in Love Creek Heights since 1946, at which time we used the property as a vacation and weekend home until 1968. At that time, we did extensive remodeling of our home for permanent use.

During the following years, we established friendships and community involvement. Maintenance of the road was part of my daily life, which I enjoyed.

We loved our home in Love Creek Heights and intended to remain there the rest of our lives. When the tragic event of January 4 occurred, we were evacuated and took refuge in my son's home, always anticipating being able to return home. When the Federal geologists' report came through, we were crushed. Our home, our lifestyle, our relationships, and our life efforts for 36 years were ended by a single report, not to mention financial devastation.

The younger people have more recently started out in carrying mortgages on their property, and now have loss of equity as well. I started out much earlier and have no mortgage, but my entire equity, representing a life savings, is gone. The younger do have the advantage of earning power while, speaking for myself, I do not have that power any more. It has taken a tremendous amount of courage and hope for all of us, after all the emotional and financial havoc of Love Creek Heights. I ask you to assist us in any way possible.

Thank you.

Mr. MITCHELL. Thank you.

Mrs. DeLaney.

TESTIMONY OF SHEILA DeLANEY, BOULDER CREEK, CALIF.

Mrs. DELANEY. I don't think there is much more I can say. What Clarissa didn't say is that her house was one of the newest, and her daughter's was one of the oldest. I think Vonna's house was about 100 years old. That sort of represents the variety that Love Creek Heights symbolizes to us.

We had young people, old people, families with children, families without children, people with regular jobs, people with their own businesses. We are all in this together, and the relief has not come.

I think the programs you have proposed and the changes represent almost the only hope we may have.

Mr. MITCHELL. I want to thank all of you. I wish to God those people who were concerned to round out the last decimal point of the budget were here. The funds for the various committees have been cut, but if it is at all possible, when we have hearings I certainly would like for some of you to try to come to Washington. I don't know that you will have the money, but maybe once, if they see real people, they will realize what they have done.

Thank you. Thank you very much.

Our next panel will be Dave Tunno, Tom Kelley, Patrick Trujillo, William Frye, and Mrs. Charlene Morgan.

If those persons are here, I wish they would come up and take seats.

We certainly thank all of you for being here to give us testimony. We will try to get a statement from everyone here and then we will ask questions

Mr. Tunno.

PANEL CONSISTING OF DAVE TUNNO, TOM KELLEY, PATRICK TRUJILLO, WILLIAM FRYE, AND MRS. CHARLENE MORGAN

TESTIMONY OF DAVE TUNNO, PRESIDENT, CHAMBER OF COMMERCE, SOQUEL, CALIF.

Mr. TUNNO. Congressman Mitchell, I have interrupted my working recess. I retired in October 1980, so I figured I would interrupt my working recess and be here today.

Congressman Panetta, staff, we appreciate, I do particularly, that you have taken the time to be here. I would be remiss if I did not point out to the chairman that when you hear of all the things that were not done, there was one legislator in this whole area—there were two—but one particularly that we could call on, and that is Mr. Panetta, and through his wife Sylvia we were able to do much in trying to relieve some of the problems.

Leon, we appreciate it in Soquel.

I am the president of the chamber of commerce in Soquel, but that is only a job thrust on me because I am in a working recess, and I am busy doing other things in the community. Since the night of the flood, I have been actively involved in trying to help people that had problems, and from the day after have been manning the disaster relief program, including funding and/or scrounging of furniture, bedding, clothing, whatever the need may be.

I have heard here about the problem of percentages and what have you. I will touch on those as I go through. I will make my statement fast.

One, there is talk about the performance of the SBA disaster program and an overview of that. In Soquel, we had 59 residential units, mainly mobile home units, within the downtown area of our town that were hit by the flood. We had 48 small businesses, just in the downtown area, that were affected—I am not talking about homes out on San Jose Road and what have you—and we have now 14 small businesses out of business.

Mr. MITCHELL. You say 14 out of 48?

Mr. TUNNO. That is right. Out of business.

First, let's relate to the residential damage. The mobile homes were occupied primarily by older people, senior citizens; and when you look at the SBA disaster relief instructional sessions at the Memorial Center downtown to explain what was available, one, I think the selection of the location was bad.

I think that we could make an effort, where somebody is down and out, to move 6 or 8 miles, maybe into a school conference room, particularly for the senior citizens. You saw a senior citizen 74-years-old, wandering around for 2 days, being courteously handled, being referred to this desk or to that desk. It was quite hard for that person. Fortunately, our county people and the Senior Citizens Council were on hand to assure they were getting some assistance.

But during the initial period, as in every disaster, there was the need to temporarily relocate these people. Some 62 were temporarily relocated in the first few days. Of course, this is a thing that happens. To me, it is unfortunate, when we talk about disaster programs, it is unfortunate; when we talk about the Government of the people and for the people, that sounds good; but let's look at it.

You can take an airplane to a disaster in Italy and be there—and I will say Italy—in 24 hours with airplane loads of supplies, goodies, to take care of it. You can take airplane loads and do the political diplomacy and hit the news with it, and go to Buenos Aires, wherever, and be there in 24 hours. But we cannot come to Soquel in a period of 3, 4, or 5 days to bring the necessities of life to the people who have made this other possible. So in what happened in the first 4, 5, or 6 days, we could see a lot of problems. So some of us went out and started getting to the necessities of life, started hustling some money, and this happened not only in the area of Soquel, but started to happen then in other areas.

We were able through small bits and pieces to hopefully do something. Here was a senior citizen who did not even have money to get into a facility, and FEMA had not come into operation yet, but we had to have that person located. There were temporary quarters, but when you are talking about a 74-year-old lady who had been independent all her life, she doesn't want to live there, and there, and there. She wants to live right here. After a while you have to find some resource to be able to do that. So that was done.

This is not the first small business meeting I have attended on disaster. As Leon well knows, I attended one in 1955; I attended one in 1969. I now am here again. In 1965 I attended one in Palm Springs, one in Riverside in 1969, and here we are again with the same problem, the redtape in the bureaucracy.

Now, let's look at the businesses. It just so happens one of our Soquel merchants who will testify is the owner of the business that I once owned. Unfortunately, I sold it. I should have kept it, because it would have been a bonanza business, selling liquor during the period of this flood, but not necessarily. That business was inundated and ravaged quite badly.

I look at the small business loan—and this is what you are primarily interested in—your bill is great. You have to go back to the 3 percent. Of course, in my opinion you could go back to zero. If we can give it away elsewhere, we can take care of our people right here.

You take a business. Let's say if I was still in that business—I don't know what Tom's situation is—but if I were still in that business, and let's say I had, for the sake of looking at numbers, I had a commercial loan with the bank, that commercial loan would still exist. I come to you, and I ask for some money, and you start playing games with the figures, to see whether I can afford or cannot afford, or what have you.

You are not looking at reality. Reality is that Tom was out of business for at least a month and a half, closed down not only because of his facility being inundated by mud, silt, and water, but because the streets and the accesses were not in shape for Tom to be doing any business.

I would imagine—and I am just guessing—in the first month or two his business probably dropped to one-tenth or one-third of what it was, because nobody was coming into town for fear—with the broken bridge, and what have you. So when you are talking about a loan upon a loan, I don't think that is the intent of disaster relief as first recommended by Harry S. Truman. So if we want to talk about it, that is the problem. Many people were scared off. You asked the question of one of the people here about how many did they think were scared off. I have talked to at least 10 businessmen, and some homeowners—two homeowners to be exact—who were scared off because when they came down, the first thing they started hearing was 15 percent. Maybe you might qualify for, and when they got to that point, the guy is already rattling in his mind 15 percent.

What it really sounded like, and what it appears to me, and that is why this legislation is very appropriate, is that we are working with the banking industry. As far as I am concerned, when a disaster comes, the banking industry can take a walk. What we are interested in is the people when we are talking about 8 or 3 percent, or zero. But many of them were scared off.

You talk about the slow deaths of business. Right now, today, I don't know of a person, a businessperson in Soquel, that has received his check. Now remember, this was January 4. I see now businessmen—and I can look at the gentleman at the business I was in—who might have been able to employ three, four, or five people, and who now cannot employ three, four, or five people, cannot employ one person, businessmen who are now working 18 hours a day, 7 days a week, to stay alive, stay in business.

I mentioned we had raised some money. We went to one business that was ready to open its doors, a cafe. They didn't have money to buy the inventory to serve breakfast; they didn't have money for the cashbox. By the graces of the good will and compassion of many people throughout the area, who have been lifesavers for a lot of people, we were able to come in with a $200 or $300 check and say, "Here," the morning they just had reopened their business. The person broke down; it was like gold.

So what we are talking about is we haven't got the feel. The real problem is right now it is April, and there is no money. I cannot believe with computers, with everything we have in Government—we pay hundreds and hundreds and hundreds of millions of dollars for the great technology we have—I cannot believe that we cannot afford to set up this program so that we could earmark people for disaster relief.

We know it is a disaster. It is not a case of all of a sudden a guy comes in for a standard SBA loan. It has been declared a disaster area. We should respond now, and worry about all the garbage later if we have to.

I will conclude like this: I have talked to many, many businessmen. I have been on top of this for 3 months, working to get people relocated, to get furniture, and equipment. In a small community we raised a few bucks. We have encouraged others to raise more bucks, and we managed to get some of those bucks.

Something happened to me just the other day. A staff person from FEMA called me, hearing that I had been able to give some furniture and get a lady located in a mobile home, and another located in another home. They wanted to know if I had a couple chests of drawers. What the hell is the Government calling me for a chest of drawers? You would think they would be able to get a couple of chests of drawers for a flood victim.

I couldn't believe it. I directed him to a source, because I figured there was some victim out there that needed help, but that is exactly what happened. You know, I think we better start thinking when we think about the money being available. I heard about the tight budget; I hear it all the time. I see people today, it makes me cry, to see exactly what has happened to them because of the economy. Maybe it might be wise to cut out a few tobacco allotments, cut out a few of the big welfare subsidies, and maybe give a subsidy to the disaster victim, without interest, without payback.

That is all I have.

Mr. Mitchell. Thank you, sir. We will have some questions.

Mr. Kelley.

TESTIMONY OF TOM KELLEY, YE OLDE LIQUOR SHOPPE, SOQUEL, CALIF.

Mr. Kelley. Gentlemen, first of all I would like to thank Dave for dumping this business on Jeff and me just before the flood. [Laughter.]

He is right as far as no money yet. The redtape is just unreal. We have submitted everything that the SBA wanted.

Mr. Mitchell. When did you first submit an application?

Mr. Kelley. About 2 months ago.

Mr. Mitchell. Since you first submitted, has there been any feedback at all from SBA?

Mr. Kelley. Yes, a letter saying they needed this thing. We sent it to them. Another letter. They needed two more things. We sent them to them. Sometimes it isn't clear exactly what they want. For instance, latest personal income tax; this was 2 months ago. Well, the latest personal income tax figures I had were from 1980. I sent them 1980's. They sent the same letter back saying they wanted the latest income tax.

Mr. MITCHELL. Has there been any indication at all as to a tentative date when you might receive some money?

Mr. KELLEY. None whatsoever.

Mr. MITCHELL. With whom have you been dealing at SBA? Can you give me a name? Or is it a group? Do you get a different person each time?

Mr. KELLEY. Yes. The last person I dealt with was in Sacramento. I called Sacramento to find out exactly what they wanted. The list tells you the various things they want. Then that is scratched out, and written in by hand as are other various forms, and letters that they want.

I think the redtape just keeps going and going. In the meantime, your stock was wiped out in the flood, you have no money to restock, so people are going to other towns to buy what they want in particular. So that takes business away from downtown Soquel, which was completely wiped out in that flood.

Mr. MITCHELL. You know, it just seems to me that this Government, of which we all are part, starts out in this kind of situation assuming that people are going to be dishonest. It seems to me that is the mistake. If Government cannot basically trust the people it is supposed to govern, how in the world can those people have any faith and credibility in the Government?

I don't know about your income tax, but it seems to me, you should get the loan and then get all that straightened out. I think people are basically honest. I am not at all sure that most of the bureaucrats in Government make that assumption.

Mr. Trujillo.

TESTIMONY OF PATRICK TRUJILLO, SOQUEL DELICATESSEN-CAFE, SOQUEL, CALIF.

Mr. TRUJILLO. I would like to say I appreciate there being an SBA program. It doesn't have to be here. I appreciate having the opportunity to speak here. Basically, I have the same case as Tom has. Our problem was, we went down right away when they set up the office, and did everything they said to do.

Mr. MITCHELL. That would have been around the end of February?

Mr. TRUJILLO. Probably the second week of January. They set it up real nice for us. We sent in an application. They sent it back, and wanted more information. This had been a month's time. Two months later we found we didn't qualify due to lack of collateral. We just bought the business 6 weeks prior to the flood, with a substantial down payment, a lot of permits, a lot of licenses, and basically that was our livelihood.

Mr. MITCHELL. How long had that business been in existence?

Mr. TRUJILLO. Seven years.

Mr. MITCHELL. And the former owner had made a profit?

Mr. TRUJILLO. Sure, since the business began.

Mr. TUNNO. The only deli in Soquel.

Mr. MITCHELL. Why wouldn't somebody have sense enough to go ahead?

Mr. TRUJILLO. One thing which might help would possibly be a short form which disaster victims could fill out to get maybe $2,500, or $3,000 immediately for cleanup labor. We ended up doing all the cleanup ourselves, because we could not afford anybody to do the cleanup for us, or even help us along with it. So that is one item: possibly minimum immediate funding.

As far as that goes, that is the last word we have heard. And it took us 2 months to get the word No.

Mr. MITCHELL. Were you given any indication maybe you might have gotten a loan? In other words, were you led down the garden path?

Mr. TRUJILLO. I felt totally naive at the end of it all, like I was an innocent kid who was following all the lines of questioning, and nothing really turned out. It wasn't really a matter of paying it back. They said if you want to try to apply again, you have to get a report from all the other delis in the area to see how well delis do in that area.

Mr. PANETTA. That is terrible.

Do you have a response from SBA?

Mr. TRUJILLO. When we called them, we got to talk to whom we thought was in charge. We talked to him a few times. He actually kind of said no, for the reason I gave you, before we got the actual letter back saying we did not qualify.

Mr. PANETTA. The "No" was based on what: that you hadn't been in business long enough?

Mr. TRUJILLO. Right. We hadn't been in business long enough. We had just moved from Los Angeles in August, where we had plenty of credit established there, but not any credit established up here. We were renters.

Mr. MITCHELL. It is so crazy. Simply because you are in ownership a short time they say, "You don't have a track record and we cannot help you out with any money." That is asinine.

Mr. PANETTA. Would you do me a favor and contact my office and see if we can appeal this one again? This is really a test case if I ever heard one.

Mr. TRUJILLO. If we didn't have all the financial responsibilities back in our own agreement, we would have walked away from it, but it came down to where we didn't have a choice. The only thing we can do is pick up the pieces and start over.

Mr. PANETTA. I would really like to look at this one inside out. It seems to me that is the whole point here. If there is going to be a Bank of America test applied to you, as to whether you can have a loan, why do we have an SBA assistance program? We might as well just shut down the whole operation and let them go to the banks. At least you know when a banker tells you to go to hell, they have somebody they have to respond to.

But in terms of SBA assistance, the whole point here is to try to help people like you stay in business, and where you cannot get money from the private marketplace, at least here is an available resource. So please do that; call my office.

Mr. MITCHELL. We would like to work along with you on this case, too.

Mr. PANETTA. Thank you.

Mr. MITCHELL. Mr. William Frye.

TESTIMONY OF WILLIAM E. FRYE, MADDOCK'S BAKERY, SOQUEL, CALIF.

Mr. **Frye**. My name is Bill Frye. I own Maddock's Bakery. There has been a business there since the early 1900's. It has been in my family, actually, since 1954. We went through the other flood. We employ 15 people. I had 3½ feet of water in the bakery. It just wiped out everything. So I was down 7½ weeks. It took me numerous trips up here to get the loan application to the point to where everybody agreed upon it. We sent it in.

Well, they sent me back the papers, and they said, "Well, this is not to tell you you qualify or don't." Then someone took some pictures and left. Well, then they called me up and they told me, "You have qualified for the loan, but what we want to know is if the person who has the first on the business can take a second on the business, plus a second on the house."

I have over $50,000 equity in the house. I am getting a $40,000 loan, plus they wanted a second on the business.

All the time down there at the SBA, they were telling me that it is not the object of a disaster-related loan to strangle the person. But if that hasn't got both hands around somebody's neck——

Mr. **Mitchell**. What do you value your business at?

Mr. **Frye**. Over $100,000.

Mr. **Mitchell**. How much were you asking for?

Mr. **Frye**. I was originally asking for $47,900. They took some of that off and came down and said, "You are not going to buy that mixer because it looks like it isn't going to work."

Mr. **Mitchell**. Whatever you asked for was less than 50 percent of the total value of your business?

Mr. **Frye**. Right.

Mr. **Mitchell**. Then in addition to that they wanted a mortgage on your home?

Mr. **Frye**. They wanted the mortgage on the home. First they were not going to take the business because there already was a first on the business. I owe my brothers-in-law for the business still. They called my wife up and said, "OK, you have been approved, the papers are being sent to you." But they wanted to know would he take a second on the business, too, you see. But I have more than enough equity in the house to cover what they were going to loan me. Well, as it turns out, I got these papers last night, and they are not going to take the business. They just settled on the house. But what they want me to do is go get some of these papers notarized, and my bills; they are going to send me payments in $5,000 payments.

Now, I don't know who I am going to pay $5,000 and get them receipts and send them back, because I owe people $18,000, $14,000. I cannot pay anybody off with $5,000; that is what they are telling me now.

Mr. **Mitchell**. How long were you down?

Mr. **Frye**. Seven and a half weeks.

Mr. **Panetta**. They are saying they are going to be paying you in $5,000 increments.

Mr. **Frye**. Right.

Mr. **Panetta**. Is that standard?

Mr. **Mitchell.** I don't think it is standard at all. I know since I have been on the committee of cases where lump-sum payments are made. That is not to exclude a possibility of incremental payments. Counsel?

Mr. **Powers.** They would do it if there were some small minor bills. But on major items, the application itself ought to show them the nonsense of disbursing less than anybody's smallest bill.

Mr. **Panetta.** Would you, again, contact my office, please, because I would like to see if we can get you at least a lump-sum payment.

Mr. **Frye.** It doesn't make sense. What it looks like is that they think they are going to give you all the money and you are going to run with it. To me that is what it looks like.

Mr. **Mitchell.** That basically describes it.

Mrs. Morgan.

TESTIMONY OF CHARLENE MORGAN, MORGAN'S, SOQUEL, CALIF.

Mrs. **Morgan.** Mr. Chairman, Congressman Panetta, and other members, I am a native of Santa Cruz, Calif. I am proud of that. I am not from Maryland. I know you have done a wonderful job in revitalizing Baltimore. So I say to you why can't we do that in Soquel, or at least assist the merchants in getting back in business and in the restoration of their businesses and in revitalizing the economy.

To go back to January 6, which is the day I went to the disaster headquarters to get the SBA loan forms, I was most disappointed in the manner in which the SBA handled itself. They were totally unprepared for the number of applicants, including running out of applications. At my suggestion and someone else's, they found one application that had one letter printed on it, wiped it out, ran downstairs and ran additional copies. That was an indication, I guess, of the way things were going to go.

The forms themselves are extremely cumbersome and were deterring to many merchants I talked with in Soquel. As to information, it was difficult to obtain—conflicting reports regarding interest, conflicting reports regarding what type of loan, the dollar amounts, et cetera. I found out through other sources that there is a second type of SBA loan that is strictly for capital loss. The investigator there never indicated that to anyone, because I specifically asked the question, what is a small merchant to do whose business had been closed and will be closed for at least 1 month.

The initial operating expenses for your business continue. Your rent to your landlord, if you want to get back in business, is going to continue. The P.G. & E. wants their $600. You have to replace stock and so forth.

The man said, "I wish we could help you, but there is no proviso for that."

Understanding that the wheels of Government can turn slowly, it seems as if there should be a way to expedite this process in times of crisis, for the survival of the community depends upon a quick response from Government and its agencies. I assume that our experience with the SBA to date would be typical of most merchants. Our initial loss was $32,300. This is in inventory, fixtures, furnishing, et cetera.

Mr. MITCHELL. What kind of business?

Mrs. MORGAN. We have a bar. Which obviously should have been open. Our loss in sales were approximately 13.5, let alone the loss of good will. We did not sell but had an attractive offer the previous summer. Now really all we have left is the liquor license, which is not negotiable as an asset. To get to specifics, the policies that I see in existence now do not address the immediacy of the situation of the merchants. Why should it take longer to process an SBA loan than a conventional bank loan?

Two, the particular situation that exists in Soquel, and indeed in Santa Cruz County—as I am sure Congressman Panetta is aware—is that we have 14,000 unemployed people here. We have nearly twice the unemployment rate of the country. How can we be expected to borrow money at 16 percent or as my bank so generously suggested that I had an option of taking out a second on my house and they would loan it to me at 21 percent; at 21 percent, we would be out of business. At 16 percent, we still may be out of business.

During the time that we were closed, all of our existing capital went into getting back open and replacement of stock, and inventory. Coupled with the fact that the storm occurred on January 4, as most businesses know, many things are due at the end of the year. In our case it is the liquor license renewal fee of over $400. It is insurance premiums and some taxes, which then left us with approximately $2,000 in our bank account. That is all we have in the world, plus our home.

The large displacement of many of Soquel's citizens, including those who live in the mobile home parks, and so forth in downtown Soquel, has had a devastating effect on their lives. For that I am truly sorry, because I know all of the suffering they went through during the storm. This also has had a devastating effect on the economy of Soquel.

Right after businesses opened early in February, there was not a soul around. Even after Maddock's opened, and after the bank opened, I can tell you from our own business, we have gone from a business that would gross $12,000 to $14,000 a month in sales, to one which last month grossed $5,700. It is absolutely vital to the welfare of the entire community that SBA grant loans at a low interest rate, and for a long term. Otherwise instead of 14 businesses in Soquel that have not reopened, there will be 40.

Thank you very much for your time.

Could I add one thing?

Mr. MITCHELL. Surely.

Mrs. MORGAN. Like Supervisor Cucchiara said I suggest we look at regional funding. Because our situation here is quite different, given the local economic situation in other areas; I thought it was a good suggestion.

Mr. MITCHELL. When you consider the shape that the whole country is getting into very fast—I can mention some areas where we are above 14 percent unemployment on the other side of the country—my fear is that the bureaucrats would take that as direction to add on more bureaucratic redtape. All of you have done exactly what I think we came out here to try to accomplish. We are going to get a report. There will be an official report submitted by SBA, and it will say they helped *x* number of people, made *x* number of loans, and so forth.

There will be no mention in the report about all of the problems that individuals encountered. That is why we are here, to hear from you. The one thing that really jumps out at me is the matter of timeliness. You kicked off with that, Mr. Tunno, and you are dead on target. It is not going to help you if Mr. Panetta and others can get you that lump-sum money if it arrives on December 24, 1982. That is not going to help you any.

So you have told us precisely what we hoped to secure from witnesses—the problem areas we need to address—not necessarily in terms of new legislation, but what we can do right now to bring a sense of urgency to bear on the agency.

Thank you very, very much.

Our next panel is Lorenz Pawlak, Mrs. Geraldine Clements, and Miss Kate Kline.

PANEL CONSISTING OF LORENZ W. PAWLAK, GERALDINE CLEMENTS, AND KATE KLINE

TESTIMONY OF LORENZ W. PAWLAK, BEN LOMOND, CALIF.

Mr. **Pawlak**. Thank you, Mr. Mitchell.

I appreciate all you gentlemen being here today. I don't know how the rest feel, but I feel like somebody really does care. I was just talking to my wife a few minutes ago about some of the responses we have had from SBA, and maybe I am prejudiced but the attitude I seem to feel is that it is almost like it was their money. I don't expect them to be counselors, I suppose, but I am just angry now.

I feel it in the process that has gone on here today, with all the financial loss and personal loss that has all been reviewed here today. We have a house on Love Creek, the first one standing just the other side of the slide that came down. When that slide came down it formed a lake, and the lake totally inundated our house.

My wife was there at the time. I wasn't able to get back home that night because Love Creek Road had been closed due to another slide. So I spent the night at my son's house.

My son spent his time that night pulling out people who were stuck with his truck.

The next morning I went down to try to get home again and was unable to. There was a police barricade there. I just assumed that later they would clear it and I would be able to get home, so I went back there in the afternoon.

This was on Tuesday. I was told by a hysterical woman there that the whole mountain had come down and everyone was dead back there. That was the first news I had heard of it. So I just assumed my wife was dead. I didn't know any differently. When I even say those words, I feel it all over again.

I went to the fire department. There was a policeman there, Officer Hemingway, who said they had brought some people out. I heard talk about stretchers. I thought maybe she was alive. So I went to the fire department and it turned out she was in fact alive, and she was one of the four that had been caught in that flood. We spent that night going from house to house to get above the rising waters.

The position we find ourselves in now is that our house is in fact rebuildable as a structure because the pad where it is located is not damaged by the slide itself. But there is no road to it.

There is another potential slide. It has been considered a dangerous, unsafe area, not to mention the fact that I am sure I could never sleep there again. But we have since gotten a letter from the county saying they do not advise rebuilding there, but they will not be clear about it except to describe the hazards of rebuilding a house in that area.

I did not go to SBA right away because I was told the interest rates were going to be 16 percent, and the way the story was related to me, if you worked, it would be 16 percent. If you could not afford to have a loan, it would be 8 percent; so I didn't even bother to file.

Instead I went to an attorney to see what we could do to protect ourselves from the mortgage which is still due on our home. The attorney, David Baskin, in Santa Cruz, said, "Why don't you file anyway to see what could come of the loan with SBA." But I have not had much faith in it because of the 16-percent interest rate.

We all know here that is one of the reasons we are having problems in this country right now with the recession, because of the high interest rates, and 16 percent is right in with it. That is not a help that is a further burden.

We have since rented a house. We are waiting to see what we can do.

I do appreciate your coming here and I appreciate your taking the time and patience to hear our stories.

Thank you.

Mr. MITCHELL. I thank you for saying that, but that is what the Government is supposed to do. It is all backward now. We are supposed to be here serving you. I just wish more of the agencies would take that attitude, and more Members of Congress for that matter.

Mr. PAWLAK. Mr. Mitchell, you are not made to feel that way when you approach a Government agency.

Mr. MITCHELL. Yes. It is a supercilious attitude of "We are doing you a favor." I don't know how much we can do right now on the past delays. Obviously the legislation that is being proposed will be helpful to prevent, we hope, any further occurrences like this, where people walk into 16 percent.

But I am going to ask staff if it has a recommendation—are there some things we ought to do right now to try to ameliorate the situation at least?

Mr. POWERS. Mr. Chairman, every time there is a disaster the agency primarily relies upon inexperienced personnel. They bring on temporaries. But they are supposed to be supervised by an experienced cadre, and these problems should not be happening.

You expect one or two things to slip up in any disaster, simply because of the magnitude; but it seems that if these witnesses are representative of what has happened in this community, the agency is just not carrying out its responsibility. They are misapplying even the law they are given to work under, even with its onerous terms. I suggest when we get back, as a committee we instruct the agency to review the applications of all these witnesses and to also spot check a random sample of others. If these problems are found to be prevalent throughout, then they ought to detail an experienced team to review all applications without our having to bring specifics to their attention.

With regard to the second problem on misinformation, if there has been considerable misinformation, the filing deadline should be reopened.

Mr. MITCHELL. Thank you.

I am disturbed. Because, while we have some bad stories in the Bay area, the overall response was that it was much better up there, that SBA really moved in and tried to help people. I think it is possible that they did supervise inexperienced people in that area and did not do it in this area.

Mrs. Clements?

TESTIMONY OF GERALDINE CLEMENTS, BOULDER CREEK, CALIF.

Mrs. CLEMENTS. I am Geraldine Clements. I am delighted that you came down to hear what we have to say here today.

I live in Boulder Creek. We suffered 20 thousand dollars' worth of damage to our home and property. Our home is habitable, but we have things that have to be done.

You have heard all the stories about the loans. We didn't apply until a neighbor of ours talked us into it. Even figuring if we could get it at 8 percent, $20,000 was much too much for us. We applied for $10,000. The man from the Small Business Administration came out and looked at the property and felt we really should put in for more, but we didn't feel we could really afford it.

This has nothing to do with the disaster. In November, my husband had a heart attack. So we had a lot of medical bills, and he was unable to work for nearly 4 months. So we found ourselves in this position when the disaster happened.

However, we did get our papers back and they did approve our loan, and we did get it at 8 percent. But we find ourselves in kind of a catch-22 position. We have got to do something, but we really don't feel we can afford the payments.

What this one man said about the $5,000, that is what it says in ours. They will give us $5,000 now and we are to keep track, with receipts for everything that is spent, and send it on to them. I assume that once we spend $5,000, then they would send us the other $5,000.

We have not as yet signed the papers because we are not really sure we are going to be able to afford it, even though they seem to think we are. They don't know our whole story as far as our medical bills. But one of the things that has been brought out here today is that I really feel there should be more in the way of grants and not loans. I think that these loan papers are terribly hard to fill out. I did ours, which took me approximately 4 to 6 hours, and also another set on a private road, which took an additional 4 to 6 hours. That is much too long a time to have to spend on forms when you are going through so many other things anyway.

Somebody else brought out how our country just opens up its heart with donations for other countries and what have you, to help. Why we don't do it for our own I don't know. Why doesn't the Nation come forward and say let's send money to Santa Cruz because these people are really in trouble?

We do depend on the loans. We are in trouble.

I thank you very much.

Mr. **MITCHELL**. I thank you.

I would be in favor of a direct grant program. But I would be less than honest if I were to suggest to you that there was a remote possibility of that ever happening in this Congress in which we now serve.

There is a meanness—and that is the only word I know to describe it—a meanness of spirit that just says it is far more important to count each dollar and to make sure that you operate in terms of what is good for the general private sector, than to do the decent thing, which would be just a direct grant. I think that it is good commonsense to suggest a grant program. But I would be other than truthful to you if I gave you a hint that that might happen.

It is just not going to happen with the present mood of the Congress and the administration.

Mr. **PANETTA**. I might add that that is made even more incredible by the fact that at the very least if you were looking toward a balanced budget there might be some justification, but the end result of all of this is that we are going to have record deficits.

Mr. **MITCHELL**. That's right.

Miss Kline?

TESTIMONY OF KATE KLINE, BOULDER CREEK, CALIF.

Miss **KLINE**. My name is Kate Kline. I live in Love Creek also. Everyone else has spoken about a lot of things. So much has happened to us; it seems like everyone wants to help, but I still see absolutely nothing happening.

They told us initially we wouldn't be eligible for SBA loans. Then they started this abatement process and said that once we had the abatement papers in our hands that we would be eligible for SBA loans.

However, it is very possible that there are people who are going to fight the abatement. Meanwhile I have a home that has been my parents' home.

Mr. **MITCHELL**. Isn't the abatement problem now resolved?

Miss **KLINE**. No, it is not. And we are still sitting, waiting.

Mr. **PANETTA**. Essentially the abatement is the action by the board saying that they are virtually condemning these properties, or at least preventing people from going back to their homes. It requires a formal action. Have you, in fact, taken action?

Mr. **CUCCHIARA**. We are waiting for the Army Corps of Engineers boundary adjustment.

Mr. **PANETTA**. They have not taken a final action yet. But even once they take the formal action, if legal action is brought to suspend the abatement, then that could further delay the ability of others to qualify.

Miss Kline. We are sitting there. I have a home that is perfectly livable, but I am not able to live in it. I have been hassled by FEMA since I moved out of my home. No one seems to take into consideration at all the kind of mental and emotional turmoil that goes on when you go through something like this. It has been one hassle after another.

Now they are telling us nothing is going to happen until it is abated. Someone is going to fight the abatement. And we are going to be sitting there waiting.

I love my home.

Mr. Mitchell. What is the SBA position on this?

Miss Kline. As far as I understand, they are sitting on all of the loans. They will do nothing until it is abated formally. Meanwhile FEMA is leaving.

I have received exactly one payment from FEMA. I have already had the people come out to talk to me about phase 2 because they just want to make sure I am not making too much money and I am not trying to cheat somebody.

I have only gotten $400 from the people. It has been 3 months.

We were called up on a Thursday night about 7:30. We were told we have 36 hours to find a place to live or we would not be eligible for any aid at all.

We took off work the next day. We got ourselves stuck into a house at $600 a month. Now they are telling us we have to be reprocessed every month.

We have only gotten one payment from them. It has been 3 months. We are out over $2,500. We had to pay the first month's rent, we had to pay last month's rent.

Nothing is ever going to happen. It is just a joke. And meanwhile we are just being crazy people.

We tried to dig our neighbors out from under the mud. Their houses are gone. They are dead. None of us will ever be the same again. And they are just sticking pins in us. They are calling us up, giving us a hard time.

I have not had any dealing with the SBA yet. We haven't even gotten to that point. They don't want to deal with us.

We are trying to deal with FEMA, trying to make it from day to day. I have always read in the paper, there are disaster programs. It is just great; we go in there and help these people. We live in a country that when something horrible happens, the Government cares enough to come in and help. They have not helped us. I don't think they have helped any of the people up in Love Creek.

We have been on hold, and we are still on hold. As far as I can see, we are going to be on hold forever.

I talked to my bank today. They are probably going to want us to continue to make the mortgage payments on our house. My house is sitting there. I love my house. It was my parents' home. I bought it from them. I had planned to live there forever.

I go in there now and my flowers are blooming. It is beautiful, but I cannot live there. No one is helping. No one is doing anything.

Well, we have to wait for the abatement thing. It is a joke.